

FRIDAY JANUARY 26 1990

At least 28 people killed as ferocious storm batters the South

110mph winds of devastation

Motorways blocked, London halted

By David Cross and David Sapsed

At least 29 people died yesterday as southern Britain was reduced to chaos by ferocious winds gusting to 110mph.

Thousands of homes and offices were damaged, motorways ground to a halt amid the litter of overturned lorries, and tens of thousands of commuters were stranded as mainline stations closed.

Even Parliament was disrupted as rain came through the roof and masonry fell in the Central Lobby. "London is virtually at a standstill," Scotland Yard said last night.

Two schoolgirls were among those killed. One, aged 11, was killed when the roof caved in at Grange Junior School in Swindon. Two of her classmates were seriously injured. The other girl, aged 16, died when a conservatory collapsed at St Brandon's School, Clevedon, near Bristol, injuring four classmates, one of them seriously.

The best-known victim of the storm was Gordon Kaye, star of BBC television's *Allo, Allo*, who underwent brain surgery in London after scaffolding fell on his car. His condition was said to be critical last night.

The Meteorological Office, which had predicted the storm, said the weather was not as bad as the hurricane which hit the South-east in October, 1987, killing 18.

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people. "We are seeing more injuries this time because it occurred during daytime, and not in the early hours." The winds were abating as the storm moved into the North Sea last night, but high winds were still predicted for much of the country today.

Trees were uprooted and electricity failures were widespread, affecting almost half a million homes in the worst-hit areas of the West Country. A cross-Channel ferry with 130 people on board drifted helplessly, and roofs were ripped off houses as a deep Atlantic depression moved north-eastwards across the country.

British Telecom appealed to Londoners not to use the telephone because a 100 per cent increase in calls had blocked lines to the emergency services.

Ambulancemen throughout southern England and Wales abandoned their industrial action to respond to a ceaseless string of calls, and the London Ambulance Service urged people not to go outside at all unless absolutely essential. "People are being blown off their feet and injured by flying scaffolding," a spokesman said.

All of London's mainline termini were closed at some stage yesterday afternoon, primarily for safety checks to their roofs. Even when they reopened, British Rail could offer only skeleton services or no services at all because of damage to power lines, particularly on Southern Region, and because of fallen trees blocking tracks.

Motorways and main roads, including the M4, M40 and M5, were closed mainly as a

result of lorries overturning. The Severn Bridge was closed for only the third time in its history, and on one stretch of the M27 near Gosport in Hampshire, four lorries were on their sides. The north-bound carriageway of the M1 in Bedfordshire and Buckinghamshire had to be cleared repeatedly and the M25 was closed near Heathrow.

Police and the AA criticized drivers of high-sided vehicles for continuing on their journeys, sometimes at speeds of 90mph. "I do not know how anyone who considers themselves to be a professional driver can drive HGVs in this weather. We have had reports of some going along on two wheels. There is only one word for it: lunatic," said Chief Inspector Laurie Fray.

At sea, the Dover Coastguard said: "The conditions are terrible with hurricane-force winds. If it remains really rough, it is not the sort of weather to negotiate into harbours." The SNCF ferry *Chartres*, en route from Newhaven to Dieppe, lost all power in mid-Channel and drifted in the gale for an hour before repairs were made. Last night it was limping towards Dieppe.

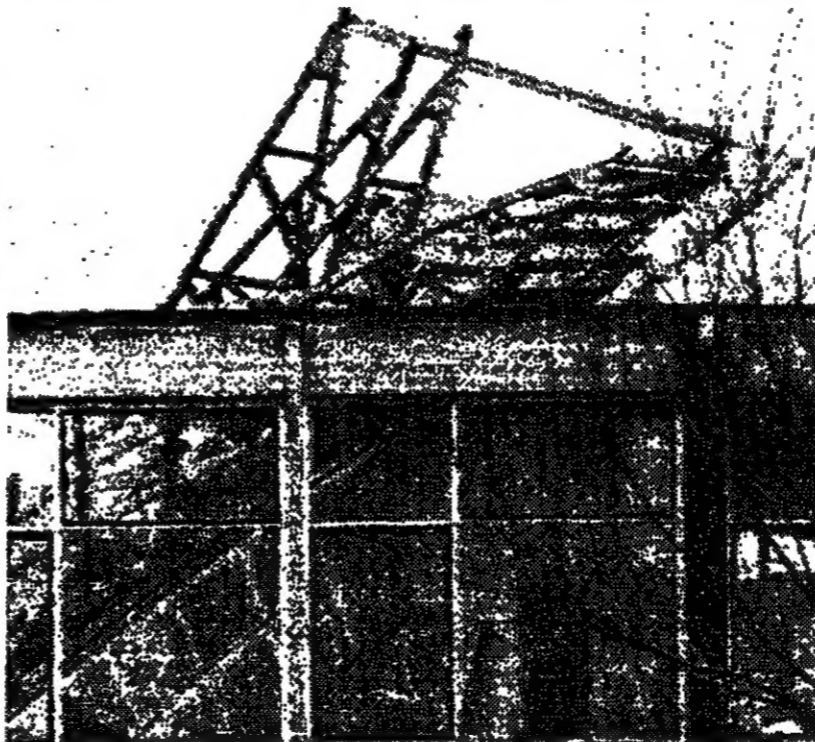
Ferry sailings and hovercraft services were suspended and some ships were riding out the storm at sea rather than risking the difficulties of trying to reach harbour.

Many of the deaths and injuries were caused by falling trees. A girl aged two months was lifted unhurt from the wreck of a car in Cardiff after a 100 ft tree crashed on to the vehicle, killing her mother. Another woman, aged 25, died when a tree struck her soft-top MG as she waited at traffic lights in Cheltenham, Gloucestershire, and another died in a similar incident in Basingstoke.

At least 10 others were killed by trees, including Chief Inspector John Smith, a 51-year-old father of five, who died when a tree fell on his car at Morestead, near Winchester, and two men who were crushed in the cab of a lorry.



Crushed: A police car pinned down by a fallen tree in Torquay yesterday after the fiercest winds since October 1987 brought chaos to the South and South-west.



School tragedies: Grange Drive Junior, in Swindon, where a pupil died, and grieving girls leaving St Brandon's at Clevedon, where another pupil was killed.



NEXT WEEK



● The Times Crossword — the most famous puzzle in the world — is 60 years old next week. To mark the event we shall be publishing The Times Diamond Jubilee Crossword, the biggest we have ever compiled, and every bit as challenging as any to have appeared over the past six decades.

● The first clues to this prize crossword will appear on Monday, but on page 14 John Grant, our crossword editor, gives newcomers to the puzzling art an idea of what to look for in a cryptic clue.

INSIDE

Portfolio PLATINUM

● There were no valid claims yesterday, so the Portfolio Platinum prize accumulates to £4,000. Today's chance to win: page 30

Field warning

Mr Neil Kinnock, the Labour leader, was warned in a letter more than a year ago that Mr Frank Field was almost certain to lose a selection vote in Birkenhead because of militant and other Trotskyite infiltration in the constituency. Page 5

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Thatcher renews football attack

By Robin Oakley, Political Editor

Mrs Margaret Thatcher yesterday attacked Britain's football clubs for failing to spend sufficient money on crowd safety and ground improvements for spectators.

Under fire in the Commons over the Government's planned ditching of the football identity cards scheme, the Prime Minister refused to confirm the planned action, saying that MPs would have to await the Home Secretary's statement when the report is published on Monday.

When Mr Joe Ashton, Labour MP for Bassetlaw, urged her to use the £250 million taxes collected from football pools on improving ground safety, giving to football the same sort of cash given to "ballet, opera, the arts and music and other upper class pastimes", the Prime Minister responded that football had spent £70 million last year on

transfer payments for players and had received £17 million from independent television and the BBC.

Adding that there was money to spare from the football pools for future lists, Mrs Thatcher said that these were:

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considerable sums and it was a pity more had not been spent on stadia.

"Perhaps they might consider spending a bigger proportion on those who go to watch, rather than on transfer fees and other things."

Mr Neil Kinnock, the Labour leader, said that the "shambles" over the identity card scheme proved that the Prime Minister's personal obsession was not a sound basis for legislation.

Auckland gold for Moorhouse

By Our Sports Staff

Adrian Moorhouse won a gold medal and equalled his own world record as English swimmers took the first three places in the 100 metres breaststroke final at the Commonwealth Games in Auckland yesterday.

Moorhouse, who won the Olympic gold medal in the same event in Seoul, finished in 1min 01.49sec, equalling the record he set during the World Championships in Bonn last year. It was the third time he had won the Commonwealth gold for the event.

He was followed home by James Parrott, who finished one-hundredth of a second ahead of Nick Gillingham.

Mr Frank Dick, the British national director of coaching for athletics, and Mr John Anderson, the coach to Liz McColgan, have been denied official accreditation.

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Baku still out of control of troops

From Mary Dejevsky, Moscow

Full control of the Azerbaijani capital, Baku, continued to elude Soviet troops yesterday, despite the breaking of the nationalist blockade of the harbour, further arrests and raids, and the appointment of a new leader of the republic's Communist Party.

Official reports said that gunfire was heard through the day and the strike, which has gripped the city since Monday, was still effective.

In Moscow, Mr Ekhtibar Mamedov, a member of the Azerbaijan Popular Front's leadership, who said he had escaped from Baku, said Azerbaijanis would "fight the occupier to the last man". He added: "If (President) Gorbatchev wants a second Afghanistan he will get it in Azerbaijan."

Reports suggested that Soviet officials had reconciled themselves to dialogue with the nationalists and begun talks. Mr Vadim Batalin, the Interior Minister, was quoted as calling for talks between local police and "healthy forces within the front". Later, Mr Gennadi Gerasimov, the Foreign Ministry spokesman, said that the evacuation of

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servicemen's families had been suspended after the Popular Front had agreed to guarantee their safety.

Mr Gerasimov said that 30,000 people, including Armenians, Russians and the families of servicemen had been evacuated in the past 10 days.

A meeting of the Communist Party elected as leader Mr Ayaz Muttalibov, the Azerbaijani prime minister, who stood in a secret ballot

Continued on page 24, col 7

Bush vetoed compromise on Vietnam boat people

By Michael Knipe
Diplomatic Correspondent

President Bush personally vetoed a 29-nation consensus agreement reached at a United Nations sponsored meeting in Geneva on the steps necessary to repatriate Vietnamese refugees.

The veto will be a prime subject for discussion next week when Mr Douglas Hurd makes his first visit to Washington as Foreign Secretary.

The President's unexpected action, relayed to the Geneva meeting at 5.25pm on Wednesday, left the US isolated, infuriated British and other diplomats and drew disappointed responses from all the other participants including Japan, the Philippines, Australia, Canada, Switzerland, France, New

Zealand and Austria. All participants in the steering committee of the Conference on Indo-Chinese Refugees had agreed that mandatory repatriation of non-refugees would start after they had been given three months to reflect on

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their refusal, and with full international monitoring by the UN High Commissioner for Refugees. The US had wanted a moratorium until January next year, while Vietnam wanted one until October 1, but their delegations had led the meeting to believe they would accept the compromise while making clear their reservations.

"This US policy will lead to people floating around dead in the South China

Sea," said one angry diplomat. The meeting charged the UN High Commissioner for Refugees with the task of trying to persuade the US and Vietnam to change their minds by the end of this week.

The American position is regarded by Britain as untenable and all but incomprehensible given the Administration's policy of repatriating Haitian refugees, but the Foreign Office is reluctant to spell this out formally.

The issue is certain to be discussed vigorously by Mr Hurd when he sees President Bush and Mr James Baker, the American Secretary of State, in Washington on Monday. And Britain will now have to decide whether to proceed with forced repatriation of a second group of refugees from Hong Kong.

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Roads littered with overturned lorries, stations closed, ferries halted

Ferocious winds bring death, chaos and damage

By Mark Souster and Michael Dynes

The ferocious winds yesterday caused massive disruption on roads and railways as trees and power cables were blown down. Stations were closed, and motorways and lines blocked. Channel crossings were suspended.

Most motorways in the South and West were littered with overturned lorries, according to police and motoring organizations who criticized drivers of high-sided vehicles for ignoring speed restrictions and requests to avoid main routes.

In northern France, at least three people died and at least 20 were injured. The winds caused damage at the nuclear power centre of Paluel, near Rouen, where a tall chimney crashed down into the complex. No other damage was reported there, but the collapse of many pylons, bringing down high tension lines, caused five of six plants at another nuclear centre, Gravelines, to be closed temporarily.

British Rail regions experienced severe problems particularly on key InterCity routes, because of a combination of fallen trees and overhead power cables.

Services on the west coast main line between London and Manchester were paralysed. On the Midland main line between London, Leicester, Derby and Nottingham, services were also severely affected as were local services around Manchester.

British Rail said it would be working throughout the night to repair the damage in an effort to return services to normal as soon as possible. But it said that while removing trees from tracks could be done relatively quickly, "re-erecting overhead powerlines takes considerably longer".

All London's mainline stations except Victoria were closed at various times during the day for structural safety checks, but by early evening all but Fenchurch Street and Marylebone had reopened. Services into Waterloo,

which was closed while the glass roof was inspected, terminated at Clapham Junction, with connecting buses and trains into Victoria. Other services were either cancelled or terminated at suburban stations.

Southern Region said last night: "We are managing to run services when and how. We will endeavour to get people home, but we cannot say when. We are getting there eventually."

Most routes were affected and speed restrictions operated on those lines which remained open.

Western Region services were also hit, principally to Bristol and Wales, after a power cable came down between Reading and Didcot, the main artery to the West. No sooner was it cleared than a tree fell on the same stretch. Bristol Templemead station was closed because the roof was unsafe.

The home journey for 50,000 western region commuters from Paddington was tortuous with delays of many hours. Passengers were advised to stagger their journeys.

British Rail hopes to operate a "reasonable" service today but expects disruptions. A spokesman said: "The public will have to sit it out."

Seven of the nine lines on the London Underground system were partly closed because of falling trees and masonry.

The most seriously damaged were the Metropolitan, Central, Piccadilly, and Northern Lines, although services were also seriously disrupted on parts of the Bakerloo, Hammersmith and City, and District Lines.

Some 10 Underground stations were closed during the afternoon, mostly in outlying suburban areas, because of storm damage which made stations or adjacent buildings dangerous.

London Underground said: "It's terrible. There are trees down all over the place. We'll



A sinking yacht in its final moments yesterday during gale-force winds in harbour at Turnchapel, Plymouth, in Devon.

have to work through the night to clear the damage. But we should be able to run a normal service by morning."

The situation on the roads was desperate, according to AA Roadwatch. "Most motorways in the South and West of the country are littered with overturned lorries."

Motorways and main roads across southern England were closed after a series of crashes and overturned lorries. High-sided vehicles were banned in some areas and hundreds of

minor roads and 45 A-roads were blocked.

The M5 in Avon was closed in both directions between Taunton and Bristlehead, near Bristol, and the Severn Bridge completely shut for only the third time in its history because of crosswinds. It's reopening was delayed until the winds, estimated at more than 90mph, dropped.

Police asked lorry drivers not to use the M40 after several trucks overturned and high-sided vehicles were

banned from the M25 in Surrey.

The M25 was closed at several points in Surrey and Essex, including the M4 interchange to the west of Heathrow. The M1's northbound carriageway was blocked and cleared repeatedly in Bedfordshire and Buckinghamshire.

On the M27 in Hampshire, four lorries overturned on one stretch between junctions 11 and 12 near Gosport. The M4's junction 4 at Heathrow was closed because

a van was hanging over a bridge parapet, and the road was also closed in the Thames Valley, with at least 16 high-sided vehicles overturned.

"The motorway has basically closed itself," Chief Inspector Laurie Fray said, adding that the electronic matrix warning system was out of operation.

He also criticized truck drivers who carried on driving high-sided vehicles in spite of police warnings.

Repeat of tree devastation feared in South

By Michael McCarthy, Environment Correspondent

A repeat of the terrible damage wrought to trees all over South of England by the 1987 hurricane, when an estimated 15 million trees were lost, was feared last night.

Accurate assessments were scanty as during the daytime the winds made time spent in the vicinity of tall trees prohibitively dangerous.

The reports that did come suggested that first light today may disclose a picture of similar devastation. Forestry Commission workers will be out making helicopter surveys in many areas as soon as conditions permit.

Mr David Burdick, director of the commission's research station at Wrecclesham, in a heavily wooded part of Surrey, said he expected there would be serious damage over a wide area.

"I looked out of my office window and saw a mature oak tree blown to the ground, which is something I have never seen before," he said. He added that the gale was the worst he had witnessed except for the storm of 1987. "I think inland this time it was probably slightly less severe than in 1987," he said.

However, officials of the Royal Botanic Gardens at Kew, which in 1987 lost 1,000 of its 10,000 trees, said that in some ways damage was already worse.

The nursery greenhouses which escaped in the October hurricane had been badly damaged with many panes of glass blown out, Mr Ian Beyer, the deputy curator, said.

"We fear there will also be severe damage to trees," Mr Beyer said. "At the moment we know we have lost some but we do not know what or how many."

Mr Beyer ordered the gardens closed just after noon and two school parties which had been visiting were quickly shepherded out.

The Forestry Commission had reports of extensive tree damage from as far apart as south Devon and Suffolk.

Scientists are debating whether yesterday's storm is a sign of climatic change caused by the greenhouse effect or a newly observed 100-year fluctuation in the climate attributed to changes in the sun's activity (Pearce Wright

writes). Professor Hubert Lamb founded the first climatic research unit in Britain, at the University of East Anglia, and published research over 15 years ago.

He had warned meteorologists that climatic change, whether from the greenhouse effect or other influence, would be preceded by bouts of extreme fluctuations in weather: record temperatures in the summer, more violent storms and bouts of heavier rain and snow.

He emphasized yesterday the violence of the swing from one extreme to another as the key indicator of climatic change.

He has detected the 100-year cycle in his present research on a historical survey of great storms.

He said there was a succession of storms almost 100 years ago between 1885 and 1895 that seemed to be repeated in present conditions.

Over the past year record winds of more than 140 miles an hour have been recorded over Scotland, with several depressions of 930 millibars or much deeper than the yesterday's storm.

Because they caused less damage, they did not receive the same attention as the present one or the great October storm, he said.

He said there had been at least two recordings in Scotland in the past two years of pressures at the centre of depressions of 920 millibars.

Professor Lamb said the record low pressures for this century were a repetition of conditions 100 years ago.

Yet less than 30 years ago meteorologists would have said it was highly unlikely to occur now over Britain, he said.

Last April the Prime Minister, Mrs Margaret Thatcher, held a seminar on global climate change in Downing Street where some of Britain's leading scientists briefed members of the Cabinet on the threat of global warming.

One of those attending was Professor James Lovelock, FRS, who has long suggested that an increased frequency of "extreme events" in weather may be an early sign that climatic regulatory mechanisms are indeed being upset.

Forecasters' warning before 'explosive depression' struck

By David Sapsted, David Cross and Pearce Wright

The London Weather Centre gave warning of severe gales likely to cause structural damage more than 14 hours before winds of up to 110mph hit the Cornish coast early yesterday. "We got it right this time," the Meteorological Office said.

A greater understanding of an "explosive depression", the cause of freak winds, and improvements in the Meteorological Office's computer model have contributed to a big leap in forecasting ability.

"As a result of what happened in 1987, we also have a great deal more experience," the London Weather Centre said.

The first hint of a problem came last Friday as satellite photographs showed a deep depression forming in the Atlantic. "At that stage, we thought it would probably move further north than it did but, by the weekend, we realized the South was likely to come in for a pounding," the centre said.

The progress of the low was monitored through Monday and Tuesday. By Wednesday evening, the Meteorological Office was able to make what it described as "a very accurate assessment" of likely wind forces and their effects.

"At 6.45pm on Wednesday, we issued a warning to all television, radio stations and other media that a spell of severe weather would be experienced as a deep low pressure system moved east across the country."

"We said there would be a good deal of heavy snow overnight and on Thursday in Scotland and, in England and

There were a few crashes in the City yesterday, though not of the financial kind (Libby Jukes writes). Throgmorton Street, behind the Stock Exchange, was littered with roofing tiles, and cranes across the skyline came to a standstill. Mr Alan McKie, head of security at a building site, said his men had been literally "blown off" work. Office staff in glass-fronted buildings left early only to find rail and Underground stations shut. Mr Clayton Haste, aged 20, was among the disconsolate commuters outside Fenchurch Street station. "I know this weather is exceptional, but the country is unable to cope. There is no information, and no way I can tell my parents on Canvey Island what is going on," he said. Mr Steven Waterman, aged 19, a solicitor's clerk, said: "It's not so bad for us, but it worries me that there will be young women unable to get home."

Wales, driving rain that would make road conditions difficult. We went on to say that such conditions would be enhanced by gales or severe gales and that structural damage could be expected in south-west and southern England."

The forecasters conceded that the performance was a far cry from the hurricane in October 1987 which killed at least 18 people in the South, caused damage estimated at hundreds of millions of pounds and destroyed an estimated 15 million trees. Hours before the storm struck, Michael Fish, the television weatherman, made his famous comment: "A woman rang to say she'd heard there was a hurricane on the way. Well, don't worry, there isn't."

The forecasters used the same computer as in 1987. It is due to be phased out soon. "We have improved the numerical model on the computer which, added to the extra experience we have of looking at storms like this, have enabled us to improve our techniques," the Meteorological Office said.

In October 1987, it recorded

winds of 110mph on the Cornish coast. Yesterday, it logged gusts of 104mph at Shoreham, Sussex, the Isle of Wight and in Cornwall. The Coast Guard at Land's End reported at least one gust of 110mph.

After the 1987 storm, Mr Nicholas Ridley, then Secretary of State for the Environment, described the forecasters' inability to get it right as an "unbelievable failure". Mr Douglas Hurd, then Home Secretary, said: "Clearly, the Meteorological Office will want to look at their experience, and at our experience, in the last 24 hours."

Professor Brian Hoskins, professor of meteorology at Reading University, said yesterday: "We still do not have a total understanding of the mechanisms that can trigger an explosive depression."

He said it was known that it started with two weather systems comprising a mass of warm moist air and a mass of cold air separated by temperatures of 10C to 15C.

The trouble started when something happened to cause

the hot and cold systems to interact, leading to a rapid plunge in atmospheric pressure within a few hours.

Professor Hoskins said a trigger was provided when the new weather system was "feeding" off the remnants of the one it was replacing.

The most important of those remnants was cyclonic motion in the upper atmosphere that caused the lower warm and cold air to spin and mix together. As the heat engine gained momentum, the rapid creation of a severe depression depended on the formation of powerful vertical air currents.

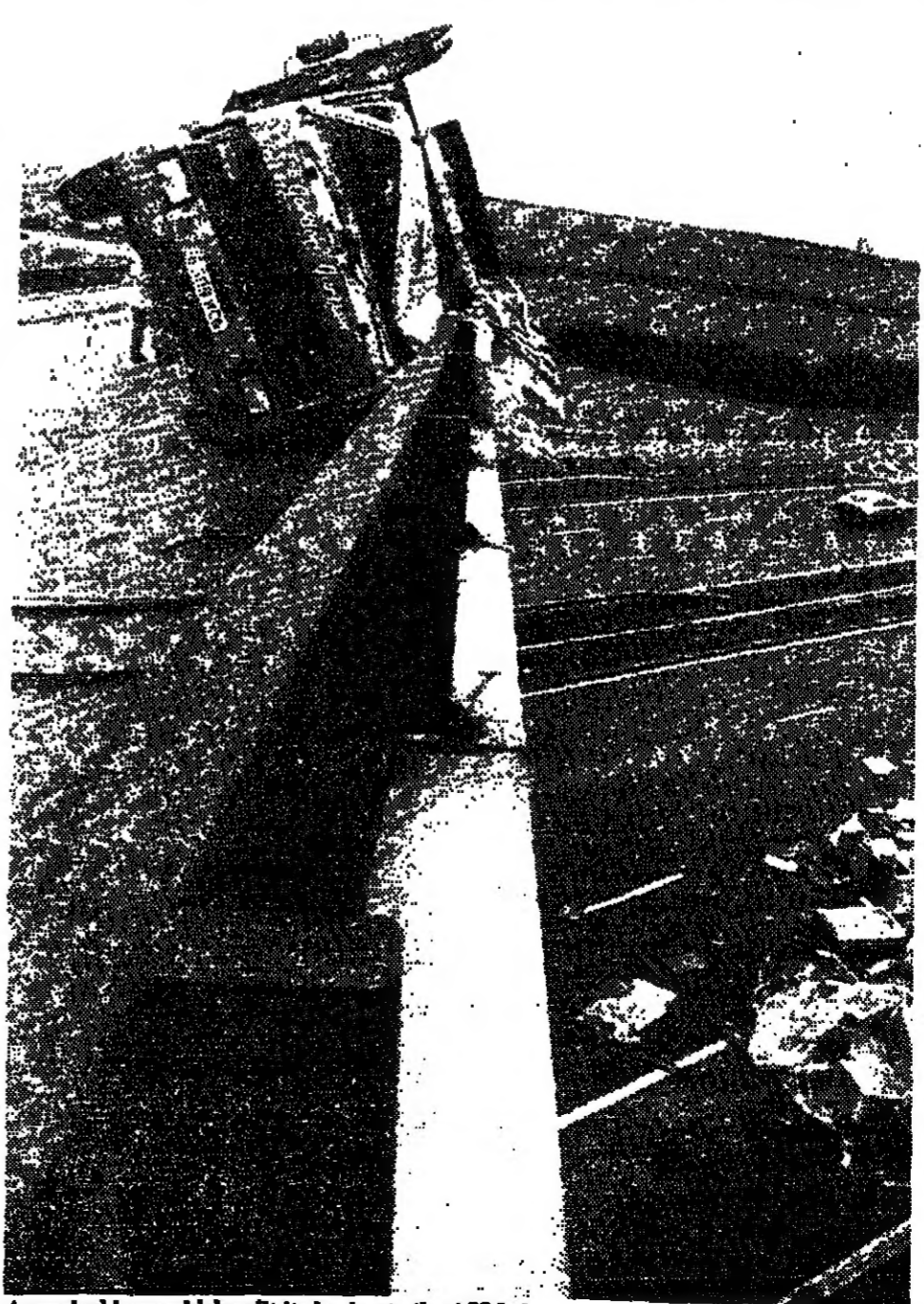
Professor Hoskins said earlier forecasting mistakes were due partly to complacency because explosive depressions were rare on this side of the Atlantic. They were more likely to occur on the other side, where cold Arctic air from the land interacted with moist air over ocean warmed by the gulf stream.

Computer forecasters picked out the severity of the depression in a 72-hour forecast on Tuesday. They predicted a drop in pressure to 968 millibars for Wednesday night and 949 millibars for last night. The low in 1987 was 958.

The forecasts came from satellite pictures which show the direction and mixing of weather systems; changes in temperature, pressure and humidity measured by weather ships, commercial aircraft and balloons; and radar.

Although the storm was severe enough to uproot trees and demolish buildings, the weather system is regarded by meteorologists as being small.

Heavy weather sweeps coast



A crushed lorry which split its load onto the A38 below, near Plympton, in the South-west.

Commons lobby shut by falling masonry

By Philip Webster
Chief Political Correspondent

Parliament was yesterday disrupted by the storm as the Central Lobby, which connects the Commons and Lords, had to be closed.

People arriving to watch debates in both Houses were turned away after masonry from the Central Lobby roof fell into the Engineers Court with a resounding roar heard by MPs in the nearby Members' Lobby. The Central Lobby was evacuated at 3.30pm.

Several MPs' offices were closed by security staff as checks were made on the lobby roof. People working at Westminster were told to find alternative routes around the building.

Sir Geoffrey Howe, the Leader of the Commons, told MPs an investigation had been launched into the damage.

Speaking during business questions, Sir Geoffrey reported: "A sizeable piece of masonry was blown from the central tower into the corner of the hut on the roof down to an inner courtyard."

"There were no casualties and that but was cleared of all occupants. The Central Lobby is also closed until the Property Services Agency ensure that there is no more risk of danger."

Dr John Cunningham, the shadow Commons leader, blamed the damage to the Palace of Westminster on neglect.

"While no doubt the news that lumps of masonry are falling off the House may be a cause for celebration in some quarters of the country, and no doubt with the added hope that some of us don't get out before the whole thing comes down."

PORTFOLIO

There were no valid claims for yesterday's Times Portfolio Platinum competition.

The English poet Michael Drayton had too much faith in the umbrellas when he wrote in *The Muses' Elizium* of 1630: "Umbrellas with their feathers / shield you in all sorts of weathers."

Commuters and pedestrians yesterday discovered that quick-response telescopes and sturdy black-spoked canopies are a poor defence,

as umbrella frames fractured and turned inside out.

Across the South of England, wind speeds of 50-90mph were measured at 33ft up in open countryside. Predicting speeds and wind behaviour in towns and cities is extremely difficult, because funnelling and vortex effects can increase their force. "You would be

nuts to put up an umbrella these in conditions unless you are Mary Poppins," the Met Office said.

Purchasers of brollies who hoped to buy extra protection by paying £20-£100 — the Rolls-Royce end of the market — were probably the most angry, for manufacturers say that spending more does not guarantee a stronger product. The

double ribs of golf umbrellas, however, do give extra strength.

Changes in materials have been the only real alterations to a design first seen in Britain with James Hanway who, in 1750, took to carrying a brolly on the streets of London to much ridicule.

At the London Weather Centre yesterday afternoon, a spokesman

said that a full warning of exceptionally high winds and heavy rain had been issued on Wednesday evening. The centre had forecast a severe depression sweeping from the Atlantic to the English Channel and the North Sea.

He said the depression was of about the same intensity as the 1987 hurricane, with winds of 50-

60mph, and gusts of up to 100mph. The centre of yesterday's storm took a slightly more northerly course, however.

He said that winds of similar velocity were relatively common in Scotland but attracted little attention because they happened a long way from Westminster, Fleet Street and Broadcasting House.

THE GREAT STORM

Insurance claims may be higher than in 1987 disaster

By Melinda Wittstock and Neil Bennett

Insurance claims from gale-force winds that ripped through most of southern England yesterday could top those from the October 1987 storm in which insurers lost a record £1.117 billion.

Sun Alliance, Britain's biggest insurer of household buildings and contents, which lost about £150 million in 1987, said the storm "could be comparable to 1987".

Mr John Bishop, Sun Alliance's UK managing director, said it would take up to three days before a clear picture of the disaster emerged. Sun Alliance's present reinsurance level is £100 million but Mr Andrew Goodwin, an insurance analyst with UBS-Phillips and Drew, the City broker, forecast it may lose it all. Mr Goodwin said Royal

Insurance, which lost an estimated £118 million in 1987, stood to lose a maximum of £35 million after reinsurance.

Guardian Royal Exchange's maximum losses are £15 million, half of 1987's figure, while Commercial Union's exposure is £15 million. The net exposure of General Accident, which lost £63 million from Hurricane Hugo in the United States and the Caribbean last year, is £30 million.

The Prudential and Legal and General stand to lose up to £20 million and £15 million respectively, compared with £18 million and £42 million two years ago.

The losses will take up the composite insurers' provision for weather damages for this year. Sun Alliance had predicted weather losses of £100

Britain at bay in the eye of 'hurricane'



Storm force: Below, damage in Prince Regent Lane, Canning Town, east London, after the strong gales brought down scaffolding, crushing parked cars. Above, a woman protects a child from the severe winds at Waterloo, central London.

Surgery for actor hit by plank

Gordon Kaye, the actor, who plays the amiable, bumbling René in BBC Television's popular 'Allo 'Allo series, underwent emergency brain surgery last night after being hit by a plank of wood which crashed from a hoarding (David Cross writes).

Kaye, who was in a critical condition during a long operation at Charing Cross hospital, west London, was trapped by the plank after he parked his car in a car park near his Thameside home at Hounslow, west London.



Ministers consider extra aid to councils

Ministers were holding emergency meetings last night to decide their response to the severe gales that swept southern England yesterday (Nicholas Wood writes). They were considering whether to offer extra money to help councils cover the cost of the relief operation that will be needed.

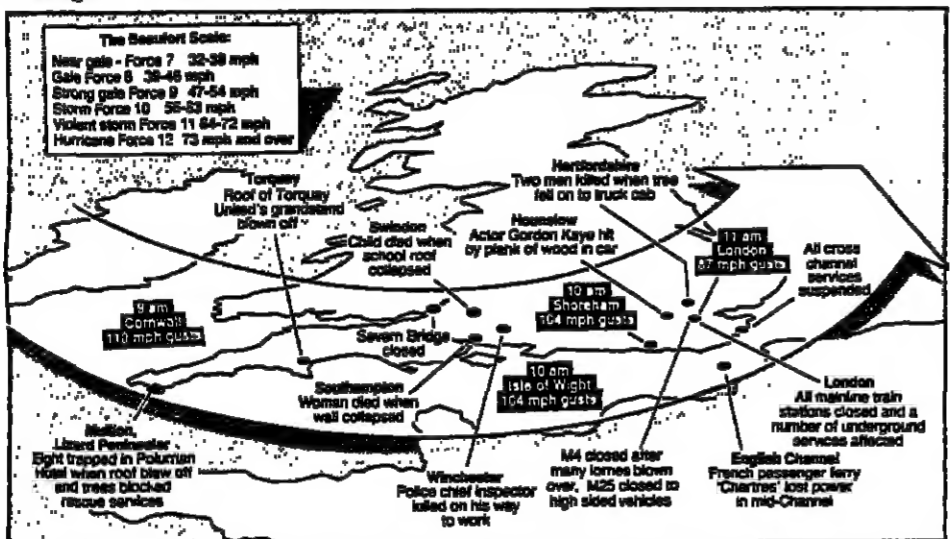
Whitehall grants to assist local authorities in coping with the effects of severe weather are calculated by the so-called "Bellwin rule".

It is understood that ministers from the Home Office, the Department of Transport and the Department of the Environment are involved in meetings. If ministers decide

to activate the Bellwin rule, councils are allowed to raise the product of a penny rate to pay for storm damage. The Government then intervenes, paying a proportion of sums over and above that amount.

After the hurricane of October 1987, the Government paid 75 per cent of the costs of the storm damage once local councils had made their initial contribution.

In Kent, one of the most disrupted counties, damage was initially estimated at £22 million. About £2 million came from the penny rate, with £15 million from the Government and £5 million from the county council.



The trail of devastation left yesterday by hurricane-force winds sweeping the South.

Ambulancemen suspend action to answer calls

By Tim Jones, Employment Affairs Correspondent

Ambulance crews throughout Britain yesterday suspended their industrial action to go to the aid of police and Army services which were overwhelmed by calls from people caught in the storm.

The crews agreed to respond normally to calls from ambulance control headquarters as soon as the extent of the damage and injury became apparent. In London, when it became obvious that alternative services could not cope with the scores of calls for help, crews manned 38 ambulances after direct appeals from station officers.

Essex ambulance staff suspended their strike in mid-afternoon and within minutes a crew turned out to take a heart attack victim to hospital.

A union spokesman said: "It is such a diabolical situation at the moment, with dozens of accidents, it is the least we can do."

As union leaders met in London to discuss how to continue the 20-week dispute Mr Roger Poole, the chief negotiator, appealed to crews in the north-west of the capital to reconsider their decision to take unofficial strike action.

He said: "We strongly oppose strike action and I would

say to our members they must maintain accident and emergency service."

Mr Poole said he was a "little angry" by the decision to go against the overwhelming vote of shop stewards and take strike action.

"I urge them to keep to the national union guidelines, to provide accident and emergency services and to continue with the way we are running this dispute because that is the way we will win," he said.

Last night the crews at St John's Wood, Camden and Mill Hill, were reconsidering their action. They were urged to follow the union line by Mr Robin Cook, Labour's health spokesman.

Mr Cook told a press conference he estimated the dispute had so far cost up to £30 million in police and Army manpower; the money could have been used to increase the 9 per cent pay offer over 18 months to the crews.

In the High Court yesterday Mr Justice Hadden granted an indefinite injunction to East Surrey Health Authority banning the county's crews from operating an alternative emergency cover using vehicles and equipment belonging to the service. In another dev-

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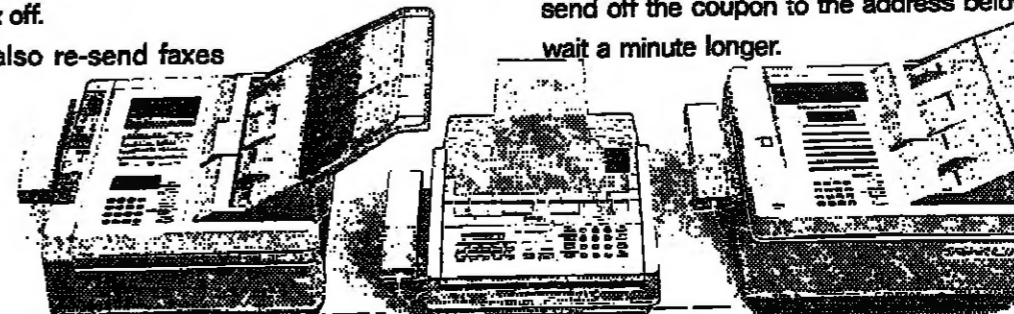
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Heathrow closed by debris

By Harvey Elliott, Air Correspondent

Airline schedules were thrown into chaos as the violent winds blew parked aircraft into each other and made baggage and catering loading from the high-sided forklift trucks almost impossible.

At Bristol airport a Shorts 360 commuter aircraft, with a crew of three on board, was blown over soon after its passengers had disembarked. At Gatwick two other aircraft belonging to Air Europe were severely damaged when they were pushed on to one wing and part of the undercarriage snapped as they fell back.

Soon after lunch British Airways ordered their pilots to halt all take-offs from Heathrow until the wind eased. The airport was officially closed for 15 minutes soon after 3pm because debris was being blown about and it was considered a hazard to landing aircraft.

Although there are strict rules governing the maximum permitted cross-wind speed for take-off and landing, pilots are given no official guidance on when to abort because of a head wind.

In a sudden gust the air speed of an aircraft can almost instantaneously rise or fall by the strength of the wind. If the wind suddenly drops when the aircraft is near the ground on its final approach it could stall; if it suddenly increases it could be pushed above the glide path.

Dozens of pilots who found the gusty conditions too dangerous diverted to the North or the Continent. Stansted, where many aircraft had diverted during the morning, when the gusts were at their peak, was closed when the wind became too dangerous.

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Constituency party meetings 'take place in atmosphere of intolerance and aggression'

Kinnock was forewarned of renewed Militant infiltration

By Jamie Dethier

Mr Neil Kinnock was alerted to Militant Tendency's redoubled efforts to infiltrate local parties in the North-west a year before the Trotskyite group helped deselect Mr Frank Field as parliamentary candidate in Birkenhead, Labour moderates claimed yesterday.

A hand-delivered letter was given to Mr Kinnock last spring by Mr Walter Smith, then chairman of the Birkenhead party, spelling out the activities in the Wirral of Militant and other Trotskyite sects and warning him that Militant was strengthening itself in Merseyside.

Party moderates said the Labour leadership may regret not moving against Trotskyite infiltration before Mr Field was defeated by Mr Paul Davies, a local Transport and General Workers' Union official, last month.

Labour's national executive has approved a wide investigation into the Birkenhead vote and four other constituencies in the Wirral. Until the inquiry is complete, Mr Davies will not be

endorsed as candidate. A 150-page dossier given by Mr Field to the national executive names 33 alleged extremists in the Birkenhead and Wallasey constituencies, 22 members of Militant and 11 members of Socialist Organizer, another Trotskyite sect.

It alleges acts of intimidation by certain extremists and claims that the Labour group on Wirral council is controlled by a district party in breach of Labour local government rules. The dossier alleges that constituency meetings in the Wirral "take place in an atmosphere of intolerance and aggression".

Mr Alec Dunn, a moderate councillor, described yesterday what he said was a "web of Trotskyite followers and other party members too scared to stand up and be counted". Tactics used by the groups are alleged to be similar to hard left tactics in London.

Dr Stuart Marshall-Clark, lecturer in biochemistry at Liverpool University, is named as a member of Socialist Organizer in the district. A Wirral councillor, he was active in Brent East, north

London, in the late 1970s and attended editorial board meetings of *London Labour Briefing*, a hard-left weekly critical of moderate Labour MPs.

Dr Marshall-Clark, who arrived in the Wirral in 1981 and started a weekly newspaper, *Merseyside Labour Briefing*, is accused of bringing Labour into disrepute through his aggressive behaviour in the council chamber.

Last May, he is alleged to have jumped on tables during a debate and abused a moderate Labour councillor. He is alleged to have made obscene gestures at council tenants who wanted central heating installed by British Gas last January.

The dossier alleged that Mrs Yvonne Nolan, another alleged Socialist Organizer member, threatened a community association with the loss of council funds if it continued to use people on government employment training schemes.

It also names Mr Lol Duffy, a Socialist Organizer member and TGWU activist, who stood against Mrs Lynda Chalker, Minister for Overseas Development, in

Wallasey at the last general election.

Moderates say there is an unwritten pact between Militant Tendency and Socialist Organizer not to trespass on each other's territory. Mr Field's dossier says: "While Militant has a presence in Wallasey, it is unable to make this more than a foothold; the reason is simply that Socialist Organizer has too strong a grip. The groups will cooperate on politics but will not share heartlands."

Militant has seven full-time staff in Birkenhead. The dossier alleges that a chain of "safe houses" in Birkenhead occupied by Militant are used to house Militant members moved into the constituency for political purposes.

It says the main Militant organizer in Birkenhead is Mr Dave Clark, a full-time activist, who writes for the *Militant* newspaper. Others named as prominent Militant members include: Mr Steve Binson, who works at Shell, Ellesmere Port; Mrs Julia McKinley; Mr Carl Mitcheson, and his girl friend, Miss Sharon Hall. Another Militant supporter is said to be a senior tax officer. The

dossier also names Mrs Joan Baugh, sister of Mr Peter Taffe, a Militant founder and editor of its weekly newspaper.

The inquiry team is also likely to investigate allegations concerning the finances of the Wallasey constituency.

Supporters of Mr Davies say that Mr Field's dossier and allegations of Trotskyite infiltration are part of a McCarthyite-style campaign by local moderates. They say the allegations about Militant do not prove there were any irregularities in the vote.

Mr Davies is not a Militant member. Nine TGWU branches affiliated to Birkenhead's Labour Party provided nearly half of his vote in the first round of the selection on December 8.

Mr Field secured just over 44 per cent, Mr Davies, 34.1 per cent, and Miss Cathy Wilson, a Militant member, 18.2 per cent.

After Miss Wilson's vote was transferred to the second-round preference candidate, Mr Davies got 50.5 per cent and Mr Field, who won the support of the majority of individual party members, 45.6 per cent. In 1987, there were four

TGWU branches affiliated to the Birkenhead party. Last year, there were 19 branches.

Mr Davies has claimed that the increase in affiliations was the result of an efficient recruiting drive in line with the union's policy of boosting membership in the Labour Party.

However, a local councillor said: "We had no power to investigate these affiliations. We can't ask questions about them and if we had asked the TGWU regional officers for the names of the branches, rather than just their designated number, we would have been told to mind our own business."

The nine branches which are likely to be investigated for potential irregularities all come under number six regional office of the TGWU, which has had previous run-ins with the union's head office, particularly when Mr Robert Kilroy Silk, Labour MP for Knowsley North, resigned in 1986 in protest at alleged Militant infiltration.

They are branches 506, 528, 551, 629, 640, 675, 682, 688 and 699.

Pamella Bordes libel case

Editor 'should not have touched girl with a bargepole'

By Robin Young

Mr Andrew Neil, the editor of *The Sunday Times*, should not have touched Mrs Pamela Bordes with a bargepole, Mr Peregrine Worsthorne, the former editor of *The Sunday Telegraph*, told the High Court yesterday.

He said Mr Neil should have been suspicious when a sexy, voluptuous looking girl approached him in a nightclub and gave him her telephone number. Mr Neil had been imprudent and very often an act of imprudence leads to an oak tree of scandal.

Mr Neil and Times Newspapers are suing Mr Worsthorne and his paper over articles in *The Sunday Telegraph* concerning Mr Neil's relationship with Mrs Bordes.

Mr Worsthorne told his counsel, Mr Patrick Milmo, QC, that he thought Mr Neil had done a "superb job" editing *The Sunday Times*, but had forfeited his right to criticize public figures because "if you live in a glass house you cannot throw stones".

Mr Worsthorne said that if a bachelor cabinet minister allowed himself to be attracted to a woman he met in a nightclub who was an obvious gold-digging adventuress, and had publicly hooked up with her, it would be the duty of newspapers to draw attention to it and comment. But Mr Neil and Mr Donald Treford of the *Observer* would not be in a position to do so because of the way they had competed for Mrs Bordes's attentions.

Mr Worsthorne said he did not regard nightclubs as appropriate places for editors of quality newspapers to go. Men went to nightclubs to pick up girls. He, himself, had done so "many years ago".

He rejected Mr Neil's evidence that Trump was frequented by respectable people, saying: "Lady Rothemore is not my idea of Lady Bracknell," and when asked if he knew that Trump was frequented by royal families, he added: "At the risk of offending Her Majesty, I don't think it is necessarily a mark of respectability if certain

members of the Royal Family are known to be occasional visitors."

Editors of great newspapers should be *hommes sérieux* who want for their relaxation to places more suitable for their function. Former editors were serious men who "read books, have connections with colleges and were interested in museums and philosophers".

Asked about his leading article on his two rival editors' relationships with Mrs Bordes, Mr Worsthorne said he had felt that when newspaper editors got into the public eye in a scandalous way, at least one editor should be prepared to dole out to them what we are in the business of doling out to others.

He had described Mr Neil and Mr Treford as playboys because that seemed the most appropriate word for the "cave society" life style they had adopted. Their conduct was "not outrageous, nor calling

6 Their conduct was imprudent, undignified, indecorous and very unsuitable 9

for elaborate moral censure, but imprudent, undignified and indecorous, and very unsuitable for a person holding the type of job they had."

Mr Worsthorne said it had never occurred to him that either Mr Neil or Mr Treford had known that Mrs Bordes was a call girl. If it had, his article would have been a lot more fierce.

He had not mentioned that Mr Neil was a bachelor because he was not accusing him of adultery. "Adultery wasn't what I was on about. Neither was I on about his knowing she was a call girl."

The kind of publicity Mr Neil and Mr Treford had attracted, Mr Worsthorne said, had made them either figures of fun or brought them into disrepute.

If editors were leading lives which might appear scan-

dalous it would impinge on the authority of their comments on other people's lives.

The days of the despised "Grub Street" newspapermen had gone. Now editors' views were listened to with great respect and they could make or break governments. "The media occupy a position similar to what the church would have done in the old days."

Cross-examined by Mr Richard Rampton, QC, for Mr Neil, about references to the Profumo case Mr Worsthorne said that Mr Profumo, when a government minister, had met Miss Christine Keeler beside the swimming pool at Cliveden, the home of Lord Astor, "compared to Trump, very respectable circumstances".

When asked whether Mr Profumo had been guilty of the sin of adultery, Mr Worsthorne said he had, but that if he had been unmarried he would have been no less guilty of the sin of fornication.

Mr Rampton asked: "Is it your position that a 38-year-old unmarried editor who has an affair with a young woman is guilty of immorality?"

Mr Worsthorne replied that he did not expect newspaper editors to adopt the morality of the clergy, "but nor does it seem to me necessary to adopt the morality of a pop star—I mean free and easy go to bed when you choose".

Newspaper editors occupied positions of great power, privilege, patronage and influence and were the tangible symbols of the newspapers of which they had charge.

He would have been very suspicious if an attractive woman such as Mrs Bordes had sought to introduce herself to him. "I don't think of myself as a David Niven figure. When filmstars look at me I do adopt a cautious attitude."

He said that he regarded the relationship between Mr Neil and Mrs Bordes as "an imprudent infatuation by a public man for an extremely sensuous and voluptuous girl whose charms he was unable to resist."

Princess in Londonderry



The Princess of Wales wearing full combat uniform yesterday on a visit to the headquarters of the 2nd Battalion, the Royal Hampshire Regiment, at Ebrington Barracks, Londonderry. The severe gales and blizzards in Northern Ireland posed a security problem for Army commanders organizing her visit (Edward Gorman writes). The Princess was to have travelled by Wessex helicopter to

Londonderry. She is the regiment's colonel-in-chief. The storms led commanders to decide that it would be safer for the Princess to travel the 60 miles by road, in spite of the increased risk of a terrorist attack. During her tour soldiers presented the Princess with jumpers and combat helmets bearing the regimental badge for her sons, before she returned to Belfast, this time by helicopter as planned.

NEWS ROUNDUP

Vets' safety alert on cow disease

Britain's veterinary surgeons have been warned to take extra precautions to protect themselves against the risks of handling cattle infected by bovine spongiform encephalopathy (Thomson Prentice writes).

Recommendations for the personal safety of the vets were issued yesterday by the British Veterinary Association because of the increasing incidence of the disease, which has led to compulsory slaughter of more than 9,000 cattle.

The association called for rigorous standards of hygiene by vets involved in the calving and cleansing and injecting of animals suspected of having BSE, or in caesarian section operations or post-mortem examinations.

Although there is no evidence that the disease can be transmitted to humans, officials of the association said that all possible risks should be minimized. It is particularly discouraging vets from performing caesarian surgery, which inevitably exposes them to contact with potentially infectious blood, tissue and fluids.

Train kills huntsman

The master of the Cleveland Hunt and five foxhounds were killed by a passenger train yesterday. Mr Joseph Cunningham, a farmer aged 55, of North Skelton, was leading the hunt at Newton-under-Roseberry, Cleveland. His horse bolted. British Rail said there was no public right of way on that section of the Middlesbrough to Whitby line. "It was a mile of straight track, they should have seen and heard the train."

BBC to unveil cuts

The BBC's 28,000 employees will be officially told this afternoon of the outcome of a big review of the corporation's activities which is expected to result in substantial reductions in jobs and costs (Richard Evans writes). Mr Michael Checkland, the director-general, will speak to staff and unions. Mr Marmaduke Hussey, chairman of the BBC, is known to be anxious to take radical steps so that the BBC is on a sound financial footing for the rest of the decade.

'Death plot' acquittal

A soldier's wife was cleared yesterday of plotting to have him murdered so that she could receive compensation from the Army and life insurance policies (Craig Seton writes). Mrs Catherine O'Neil, aged 42, was acquitted at Birmingham Crown Court of two charges of soliciting an undercover police officer to murder Corporal Terry O'Neil, of the Royal Regiment of Fusiliers. The prosecution alleged that she was ready to pay £40,000 to have him killed.

AA creates 250 jobs

The biggest business park developed in the North-east for 50 years, at Elswick, Newcastle upon Tyne, has secured a new investment (Peter Davenport writes). Automobile Association Insurance Services, the largest organization of its kind in Europe, is to spend £18 million on an office complex at Newcastle Business Park. The 1,300 staff employed by the company in the city will be relocated under one roof, with 250 new jobs created when the centre opens next year.

Zeebrugge committal

A ferry company and seven former employees were yesterday committed for trial to the Central Criminal Court on manslaughter charges after the capsizing of the Herald of Free Enterprise ferry. The accused are: P&O European Ferries, Mr Jeffrey Develin, chief superintendent of the company's marine department; Mr John Alcinder, the deputy chief superintendent; Mr Wallace Ayres, technical director; Mr John Kirby, the Herald's senior master; Mr David Levy, the ship's master; Mr Leslie Sabel, the first officer, and Mr Mark Stanley, the assistant bosun.

Court TV plan comes before Bar

By Frances Gibb
Legal Affairs Correspondent

Proposals to establish pilot projects to test the use of television in the courts are to go before a meeting of the Bar Council for the first time tomorrow.

The proposals are contained in a report by a Bar working party published last May, which favours allowing television cameras into the courts in criminal and civil trials in England and Wales.

As a first step towards implementation of its proposals, the working party, under Mr Jonathan Caplan, recommended a repeal by Parliament of the absolute ban on photography in the courts. It also recommended the appointment of senior judges, lawyers, psychologists, broadcasters and civil servants to an advisory committee.

If the Bar Council favours action, a clause repealing the ban might be added to the Courts and Legal Services Bill.

Barriers are divided on the issue of whether television should be allowed into the courts, but the advent of television in the House of Commons may have reassured some barristers.

Stalker affair

Minister rejects inquiry demand

By Philip Webster, Chief Political Correspondent

Mr David Waddington yesterday dismissed renewed calls for an inquiry into the Stalker affair, saying he had no reason to believe that anything improper had occurred.

During angry Commons exchanges the Home Secretary said there was no connection between the collapse of the prosecution against Mr Kevin Taylor, a Manchester businessman, and the withdrawal of Mr Stalker from the Northern Ireland "shoot-to-kill" investigation.

He told Labour MPs to stop "hunting for conspiracy

theories". Mr Waddington was speaking shortly before Mr Stalker handed in to the Home Office the document which he says shows Cabinet Office involvement in the decision to take him off the inquiry.

Mr Waddington's tart rejection of an inquiry undermined the growing irritation among ministers over the revival of the Stalker affair.

It came after Mr Andrew Smith, Labour MP for Oxford East, said that public accountability and confidence in the rule of law could only be

upheld by a full inquiry. "The public senses there is something very wrong about the whole business."

The truth must out. In response to the inquiry demand Mr Waddington replied: "Certainly not."

Allegations were made that resulted in Mr Stalker being sent home on leave and later suspended by the Manchester Police Authority.

In view of the events in Manchester he was taken off the Northern Ireland inquiry and replaced by Mr Colin Sampson.

Mr Waddington said that part of the case against Mr Taylor rested on documents disclosed by the Cooperative Bank as a result of an order obtained from the Manchester Recorder, and doubt was cast on the evidence given to obtain that order.

From Labour's front bench Mr Barry Sheerman called for a full statement so that the Home Secretary could be questioned on the waste of £1 million on the Manchester case, and the contents of Mr Stalker's document.

Parliament, page 13

Robbery might be behind cliff killings

The chilling brutality of a murderer who killed a couple as they rambled along a beautiful coastal path, was disclosed at an inquest yesterday.

Mrs Gwendolyn Dixon and her husband Peter were shot five times in a robbery as they were taking a final holiday walk before returning to their Oxfordshire home, the Pembrokeshire coroner was told.

Their bodies were rolled down a grassy bank, coming to rest on the edge of a 200ft precipice above the sea, and

were covered by leaves and brambles. The Dixons were discovered six days later after their son Timothy found they had not returned home and contacted the police.

Yesterday Det Chief Supt Clive Jones, head of Dyfed Powys CID, said he thought Mr and Mrs Dixon, aged 51 and 52 years respectively, were murdered near where they were found, because of the extreme difficulty in carrying bodies through undergrowth between Little Haven

and Talbenny in the Pembrokeshire National Park. He said that fellow campers at Howeston caravan and camping site in Little Haven had been told the couple had set off for a walk towards Dale.

"I believe that they were killed between 9.30am and 1pm on June 29 last year." He said the motive was probably robbery because Mr Dixon's wallet and credit cards had been stolen. More than £300 was withdrawn from cash-point machines after he died.

"There is no forensic evidence to suggest any sexual assault," he told the inquest jury.

Mr Jones said: "At least 39 people walked the coastal path on the morning of June 29. We have traced and interviewed 28 of them. We know that 26 people visited a viewing area near where the bodies were found but only 15 of them have been traced."

The coroner said there was real determination to find the killer. The jury returned a verdict of unlawful killing.

Discrimination is found in graduate jobs market

By Sam Kiley, Higher Education Reporter

Black and Asian graduates face discrimination in the labour market and have to work harder to find a job, according to the latest research from the Commission for Racial Equality.

Based on two surveys of graduates from 1982 to 1985, the commission found that "it is very difficult to conclude anything but that there is some racial discrimination in the graduate labour market".

While 52.6 per cent of white students were offered jobs during their final year, 72.2 per cent of Afro-Caribbeans and Asians did not get an offer although they came from similar educational backgrounds, the researchers, Mr John Brennan and Mr Philip McGovern, found.

Fewer students from the ethnic minorities get offers in their final years and have to try harder to get them. About 42.1 per cent of Afro-Caribbeans made more than 10 applications compared to 23.1 per cent of whites from the same backgrounds. And 54.1 per cent of Asians sent off more than 10 application forms against 24.4 per cent of whites.

Graduates from Asian and Caribbean groups were less

likely than whites to get the sort of job they preferred, although those of African ethnic origin were slightly more likely than whites to get the work they wanted.

One graduate interviewed by the researchers said that he had shared his course with four other Asians and four white students.

Before their final examination results were published all four whites had been offered jobs but none of the Asians had.

"After the examination results came out you could see who—of the two groups—was the better. Statistically you should have gone for the Indians if you were going on grades alone. I would say at that point that it was prejudice that was holding us back," he said.

Mr Tariq Modood, a spokesman for the commission, said that employers should step up their efforts to introduce ethnic monitoring programmes and ensure that black and Asian employees were "positively represented in their employment literature".

The commission also reported disappointing results in the accountancy profession. In

spite of recommendations which followed an investigation into recruitment in the biggest accountancy firms in Britain, a white applicant still had almost twice the chance of getting a job as someone from the ethnic minorities.

Only three firms were able to supply data on the ethnic profiles of applicants in 1988, in spite of guarantees from all 14 firms that ethnic recruiting would be monitored.

Launching the report, *Ethnic Minorities and the Graduate Labour Market*, Dr Peter Saunders, the chief executive of the commission, pointed to increasing competition among employers to recruit graduates.

"Those who can show they have effective equal opportunity practices will be the winners in the recruitment race," he said.

There had been a "channeling" of graduates from ethnic minorities into vocational courses such as engineering and pharmacy where there were shortages of skilled recruits, Dr Saunders added.

Ethnic Minorities and the Graduate Labour Market: Commission for Racial Equality, Elbow House, 10-12 Abington Street, London SW1E 5EH, price £2.

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Education officers' conference

MacGregor offers schools curriculum compromises

By David Tyler, Education Editor

Radical changes to the National Curriculum and the GCSE examinations were outlined yesterday by Mr John MacGregor, Secretary of State for Education and Science.

Schools have complained that they would be unable to fit in all 10 National Curriculum subjects and full GCSE courses for 14 to 16 year-olds. Mr MacGregor told them yesterday that, as anticipated in *The Times* in December, some pupils would be able to drop certain subjects, that new GCSEs would be introduced in combined subjects, and that "half GCSEs" might be taught in others.

The National Curriculum covers mathematics, English, science, geography, history, a modern language, technology, physical education, music and art, but schools will also be able to offer courses for pupils wishing to take vocational qualifications which require work in other subjects.

All pupils will have to take full GCSE courses in maths, science and English, and will continue to study technology and a modern language until they are 16. In other subjects, schools will be able to provide courses which do not come up

Parents are as concerned that their children should learn about health and personal safety as they are that they should be taught the "three Rs", according to a study published today (Douglas Broom writes). Academics at Exeter University interviewed 15,770 parents across Britain about their priorities for health education in primary schools and found that more than nine out of 10 wanted lessons on road and water safety. Parents of children aged between five and seven wanted them taught the importance of being honest, while those with older primary pupils wanted to see first aid on the curriculum.

to full GCSE standards but do meet National Curriculum requirements.

When they reach level eight in the National Curriculum attainment targets, perhaps at 15, bright children will be allowed to drop lessons so that they can continue with GCSE in subjects outside the National Curriculum, such as the classics or a second modern language, English literature or applied mathematics.

Mr MacGregor said he had asked the Schools' Examination and Assessment Council to work with the National Curriculum Council to make proposals for the new GCSEs. He was also asking the bodies who provide vocational courses to suggest ways in which their examinations could be made to form National

Curriculum qualifications, particularly in technology.

Mr MacGregor said he expected the full National Curriculum to be studied by all pupils up to 16, but that "there will be a small proportion of pupils who could appropriately drop a subject".

Some of them may be exempted because of special educational needs, but there would also be "some exceptionally bright pupils who quickly reach a high level in one or more subjects and who should be allowed to move on to other study".

Some would go straight on to sixth-form work in A or AS levels, while others would want to broaden their studies beyond the curriculum requirements, for example in English literature or applied

mathematics. Technology would be compulsory up to 16, but he would ask the National Curriculum to consider suitable courses for children who achieve good GCSEs before they are 16.

He said there could be two different courses in certain subjects: one would require about 10 per cent of teaching time and lead to a GCSE; the other, representing "the minimum needed to undertake worthwhile study", would probably take about 5 per cent of teaching time.

Mr Dennis Hatfield, chairman of the Joint Council for the GCSE, said: "I am quite certain that the exam boards can come up with suitable examinations, but the problem is whether they will have credibility with parents and employers like the full single subjects have."

Mr John Horn, president of the Secondary Heads Association, said that he had doubts as to whether there would be sufficient staff to give the flexibility that Mr MacGregor had outlined. He said: "We still think that the idea of 10 subjects in the curriculum is flawed, because it fails the needs of many youngsters."

Givenchy swirling into spring



A model presenting a crêpe dress, printed with green, orange and purple flowers and designed by Givenchy, at the Paris couture shows yesterday (left). The crêpe evening gown with floral prints was also from the French couturier's collection.

City technology colleges called waste of money

By Douglas Broom, Education Reporter

The leader of education officers in England and Wales yesterday condemned the Government's city technology college programme as a "criminal waste of public money".

Mr Andrew Collier, president of the Society of Education Officers, told the conference that the £190 million scheme was "causing pain" to other state schools and should be dropped.

Mr Collier, chief education officer of Lancashire, told 200 delegates: "We must finally eradicate the peculiarly British disease of valuing people according to the type of school attended, rather than by objective educational records showing achievement and potential."

"Let us in particular waste no more of our energies on 20 experimental schools called city technology colleges when there is so much to be done with more than 27,000 maintained schools which really do have a major effect on the future generation."

"It is a criminal waste of public money to be investing in new school places where there is already apparently a surplus."

"But we will have to grin and bear it and do our best to pull the Government back on to the real issues."

He went on to defend "guerrilla-style night raids" by council staff trying to retrieve disputed property from schools which opted out of local authority control.

He cited the example of an

incident in his county involving the seizure of a new tractor stored at a school which opted out and praised the "loyalty and commitment" of his staff who carried out the operation.

Mr Collier admitted that a member of his education staff had arranged for the tractor to be "taken away by dead of night" from Lancaster Royal Grammar School.

The move was prompted by fears that the Education Assets Board, which has the job of ensuring that opted out schools are not "asset-stripped" by hostile local authorities, might decide it was part of the school's property.

"There followed months of wrangling as to whether the tractor was part of the general mobile equipment of the fields service, or whether it had been bought exclusively for the purposes of that school. The argument is not yet resolved," he said.

"At our other grant-maintained school we were threatened with an injunction by the assets board if we did not immediately replace 40 tea-cups."

The incidents brought "much-needed laughter to colleagues in the education department" as well as "pride at the loyalty and commitment of authority staff protecting the authority's assets."

"But they should also bring tears of frustration at the absurd state of affairs at which we have arrived."

Transplant opens way to advances

By Thomson Prentice, Science Correspondent

A woman has been given a combined liver and small bowel transplant in what appears to be the most successful operation of its kind.

The operation is described in today's issue of *The Lancet*, which says it may open the doors to further advances in "cluster grafts" in which a number of organs are transplanted into one patient.

In the leading example of this procedure, doctors in the United States gave a new liver, pancreas, duodenum and portions of intestine to a small group of patients suffering from cancer of the liver.

"The cluster operation is an attempt to improve the long-term survival rate of such recipients," *The Lancet* says.

The liver-bowel operation was carried out on a woman aged 41 by surgeons in Ontario, Canada, in November 1988. It has enabled the

woman to return to a normal oral diet for more than a year after surgery, instead of being fed intravenously. That is longer than in any of about 20 earlier cases.

● Most people favour embryo research to investigate genetic diseases, but are opposed to it for other reasons, according to a Gallup opinion poll published yesterday.

The poll was commissioned by the Society for the Protection of Unborn Children. It showed that 58 per cent agreed with the use of embryos for research into genetic disorders. If the intention is to discard embryos found to be affected, only 39 per cent support such work.

● Epidemics of infectious diseases are to be monitored more rapidly by a computerized network linking public health laboratories in England and Wales.



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CENTURION - DIFFERENTLY DELICIOUS

GP tells why costs forced him to stop seeing sick children

By David Sapsed

The Lancashire GP at the centre of a Commons controversy for telling the family of a child with a heart murmur that he could no longer afford to treat her, admitted yesterday that his practice had been forced to ask other parents with sick children to go elsewhere.

Dr Michael Durkin, in practice in Burnley with two other general practitioners, told *The Times*: "We had to look at where costs are going and, if some families are using the practice to a much greater extent than others, and costing a greater amount of money, we are saying we can not afford to keep them."

"I came here to look after the health of the people of Burnley but the Government's White Paper is forcing hard, new decisions on doctors about the way they conduct their business."

Dr Durkin said his practice had not only given the parents of Faye Bramald, aged two, 10 days to find another doctor, but it had given a similar ultimatum to two other families with young children whose complaints required an exorbitant amount of out-of-

hours treatment. He said it could not be justified on the ground of cost-effectiveness.

The doctor said there had been no personal difficulties with the families and there would be no stigma attached to them when they signed on with other practices.

In his letter to the Bramald family, Dr Durkin, who has been practising in his home town since 1976, said: "The Government has changed the way we are paid. We can no longer afford to keep on our lists patients who use above average the 'on call' doctor service at night or weekends. We must, therefore, ask you and your family to find another doctor within the next 10 days."

Faye suffers from aortic stenosis and will require an operation. Her father, Mr Kelvin Bramald, said: "We were told by our daughter's specialist to call our doctor if we were worried about Faye. She caught flu and my wife and I were also ill during the year, but even so we didn't call the doctor more than a dozen times over the past year."

Mr Peter Pike, the Labour MP for Burnley who took up

the Bramalds' case with Mr Kenneth Clarke, Secretary of State for Health, said: "I do not blame the doctors. They are being forced to send away patients like Mr Bramald's daughter because of government changes."

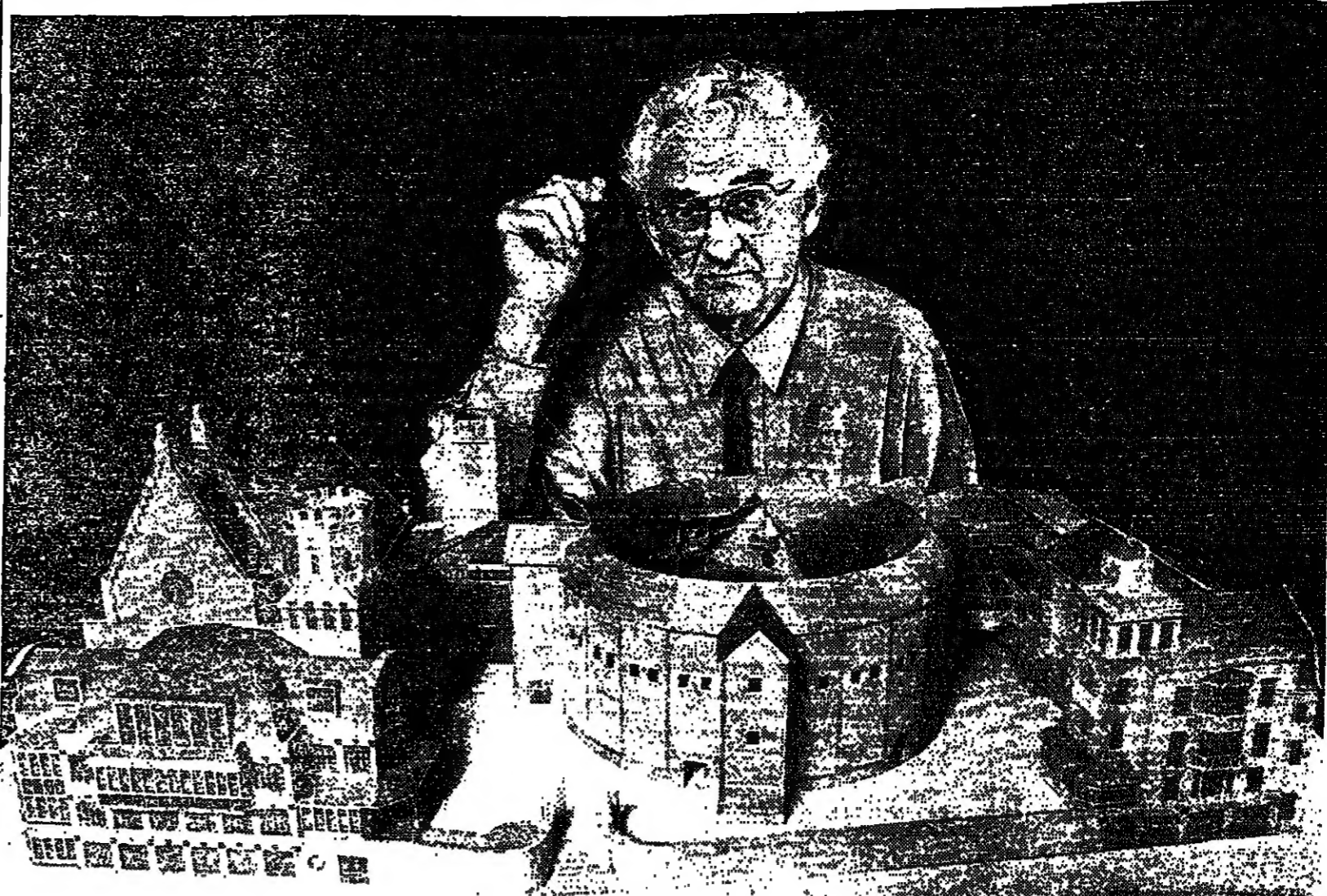
"This can already happen because of the pay settlement forced on doctors earlier this year. The health Bill will worsen the situation by introducing voluntary and involuntary cash limits on practice budgets."

The MP said he believed such incidents were bound to increase, adding that Mr Bramald and his daughter had found a new doctor.

The Department of Health said that there would be no cause for doctors to send patients away for financial reasons under contract arrangements coming into force in April, particularly as GPs would be paid more for extra patients on their lists.

Ms Harriet Harman, the Opposition spokeswoman on health, said: "Doctors are not supposed to strike people off for economical reasons, but they are doing it in the interests of other patients."

Globe architect unveils a stage's world.



Mr Theo Crosby, the architect and partner of Pentagram Design, with a new model of the £18 million Globe Theatre reconstruction, incorporating the latest findings about the design of Shakespeare's theatre, including a tower above the stage. Building work has started on the South Bank site in London.

Research proves provenance of Giambologna

A dealer who followed a hunch by paying £725,000 for a battered sculpture estimated at £3,000 to £4,000 at Christie's has completed research proving that it is by Giambologna, the Mannerist master.

Mrs Pat Wengraf plans to display the work, a half-length marble sculpture depicting Morgan le Faye, King Arthur's sister and chief adversary, at the family gallery in Jermyn Street, central London, from February 7.

She is already negotiating to sell it abroad, and says its revised price "will become very apparent when the export licence is applied for".

Mrs Wengraf's research began after the auction last September. Due to the publicity, a former owner wrote to her, explaining that his family had bought it in 1952 from The High House, Campsea Ash, the home of Viscount Ullswater near Ipswich in Suffolk, shortly before the house was demolished.

From that connection, Mrs Wengraf was able to trace the work back to William Lowther, the viscount's ancestor, who took it to Suffolk in 1883 from a house called St Anne's, in Barnes, which was then just outside London. That was once the home of the Earl of Hopetoun, who is recorded as buying the Morgan le Faye from Italy in 1775.

The new developments are likely to embarrass Dr Charles

Avery (Christie's head of sculpture, and the author of the definitive work on the artist). After the auction, he stood by his original, dismissive attribution, saying: "A high price doesn't make an authentic work of art." A genuine Giambologna in mint condition, he said, would be worth £4 million.

More than 250 works were sold on the first day of the World of Watercolours and

SALEROOM
by Sarah Jane Checkland
Art Market Correspondent

Drawings fair at the Park Lane Hotel. "It was the best opening day since the fair started five years ago," said Peter Johnson, a dealer.

Three works by Laura Knight sold for £1,000-£5,000 at the David Messum gallery's stand, while a Hollywood producer bought a French pastel by Rodolphe Piguet for £1,900 at Waterhouse and Dodd.

Four out of nine landscape drawings by Edward Lear sold for £3,000 each at Abbott & Holder. The artist John Ward, who opened the event, was amused to find one of his own early drawings, done in 1941 while serving in the army. Entitled "the Medical Inspector" and showing a doctor examining a soldier's buttocks, it is still for sale at £500.

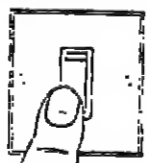
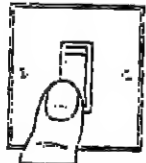
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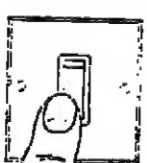
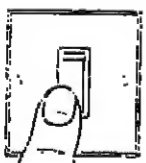
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Has Europe switched to nuclear electricity?

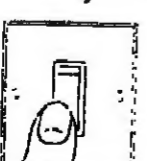
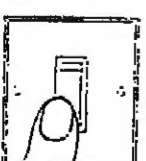
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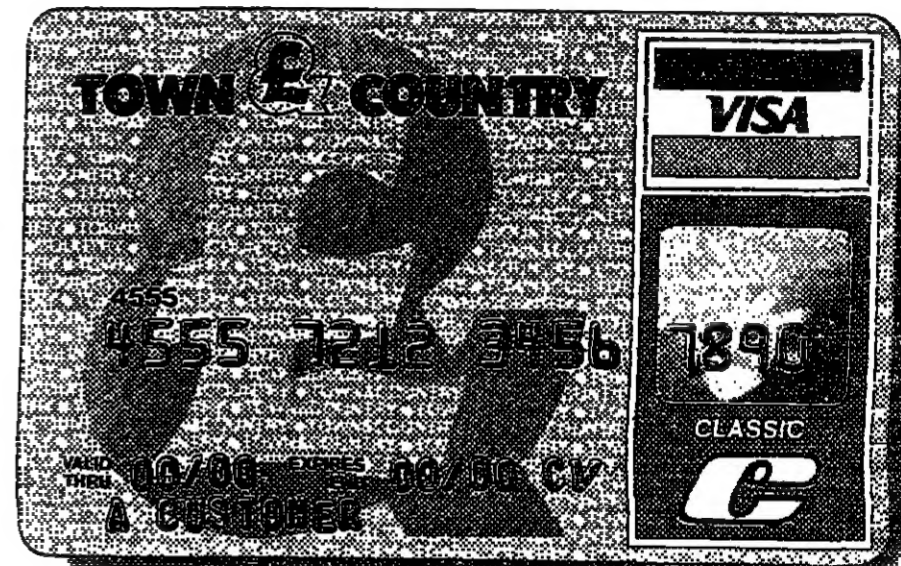
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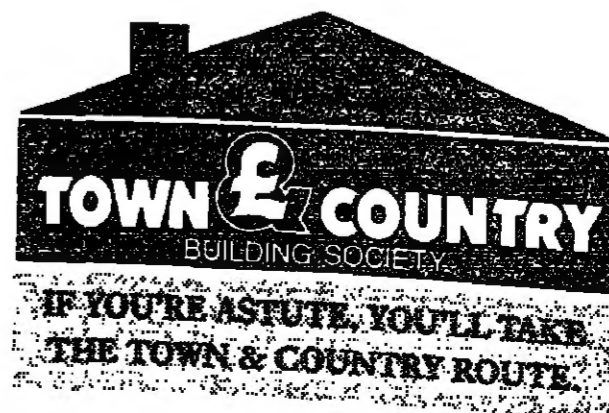
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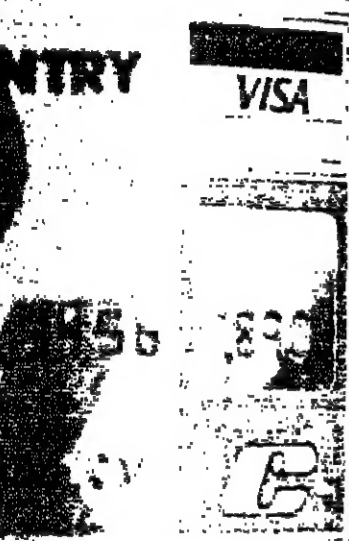
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Albania outlines its own version of perestroika



Mr Ramiz Alia: Drawing lessons from East Europe.

From Mario Modiano
Athens

Communist Albania, taking its cue from the rest of Eastern Europe, seems set to embark on a programme of significant democratic and economic reforms, outlined by Mr Ramiz Alia, the Albanian leader.

The English translation of excerpts from Mr Alia's speech at the plenary session of the ruling Labour Party last Monday was made available to foreign journalists yesterday. It amounts to a pledge to enforce his own variant of glasnost and perestroika.

In his speech, Mr Alia attributed the downfall of the Eastern European regimes not to any failure of socialism, but

to the revisionism of their "ruling cliques". Nonetheless, the message from the popular uprisings in the communist countries has penetrated the ivory tower of Tirana's ideological orthodoxy.

Although the reforms are to be carried out under the "hegemony of the party", they include such innovations for Albania as: the election of party and state functionaries; more than one candidate for party jobs; decentralised management for state enterprises; the right of appeal against court verdicts and state decrees; and the introduction of price and wage incentives to stimulate production.

The Albanian party chief

said: "We should draw lessons from what happened (in Eastern Europe) ... The promotion of democracy within the party is a condition of primary importance."

He underlined the need for the people's participation in economic planning, and urged that "incomes should be used where they are created" — apparently, a profit-sharing inducement for workers. He also spoke of incentives to boost productivity where it was most needed, such as in chromium and oil production.

Wholesale prices fixed for cooperatives would be freed to reflect efficiency. "The desire to enforce political criteria in prices and relationships con-

travenes the internal laws of economics," Mr Alia said.

These adjustments, to be defined by the laws of supply and demand would inevitably be reflected in retail prices, he said. However, the prices of essential goods would remain fixed and guaranteed.

The Albanian ruler said he would encourage the agricultural co-operatives to sell their farm and livestock products in markets in towns at prices that would compete with the state's — a significant departure for a country where movement from village to village is tightly controlled.

Experts on Albanian affairs in Athens said that Mr Alia seemed perilously poised to

unleash market forces on a highly controlled economic environment that is suffering from food shortages. It was a combination that could prove to be highly explosive.

However, Mr Alia seemed confident that his proposals would contribute to the "further strengthening of the internal situation and stability".

He listed five areas in which he called for immediate reforms. First, all meetings of the party's grassroots organizations are to be opened up and no longer held in secret.

The selection of state officials up to the level of deputy minister or division commander is to be "based on elections by the working

people, on merit". Vacancies in cultural, educational and scientific institutions would be filled "by competition" to eliminate mediocrity and favouritism in order to "have as few cadres as possible appointed from above".

In all party and state bodies, including the National Assembly and the party's Central Committee, one-third of the members would be replaced in every election to eliminate long tenures, and more than one candidate would be put forward.

Prerogatives and rights now held by party organs should devolve to the working class, while the ratio of communists and non-party people in elec-

tions should no longer be defined by the party.

The communist leader also proposed reforms in the administration of justice. He spoke of the right of defence in court trials and the right of appeal and said it was necessary to "recreate" the Ministry of Justice to control the legitimacy of state acts.

He said individuals would no longer be judged on the basis of family background — an allusion to the internment or deportation of the families of dissidents who have fled.

The most promising of Mr Alia's proposed reforms, however, bear on the economy: his references to market incentives to boost production.

All quiet in Tirana as domino effect stalls at Stalinist fortress

From George Hill, Athens

The domino effect of last year's toppling of socialist governments in Eastern Europe seems to have come to a halt at the frontiers of Albania, the state where Stalinist orthodoxy is retained more rigidly than anywhere else in the world.

The 500-mile journey through the south and centre of the country revealed no sign of overt discontent. We visited Tirana, the capital, and the port of Durres, which sources outside Albania claimed had suffered disturbances earlier this month.

Parts of Tirana are sealed off by armed soldiers and plain-clothes men, but Western diplomats indicate that this is quite normal. They do not endorse reports of serious splits in the Albanian leadership.

Apart from Tirana and Durres, we visited the smaller cities of Sarande, Berat and Gjirokastra. We did not visit the northern city of Shkoder, where it has been alleged that serious conflict broke out.

We were in Tirana while fresh reports of widespread shooting there appeared in the press overseas, but we saw not the

slightest sign of civil unrest. Albanians are visibly poor by the standards of Western Europe. They exist under an unremitting barrage of propaganda, and an official direction of everyday life which must strike outsiders as scarcely tolerable. But, unlike the Romanians, who saw communism bring a harsh decline in their standard of living, they have apparently experienced a slow but consistent improvement in standards over the years and can draw no contrast with better days.

Today, a worker who behaves himself is assured of such basic needs as food, housing and decent clothing. Meat is rationed but vegetables seem plentiful, albeit of limited choice.

The official media keep the public vividly aware of ethnic tensions in the Soviet Union and in Yugoslavia with its Albanian minority community. At least, Albanians may reflect, they are at peace.

Strangers can only superficially assess the true feelings of people who have spent their entire lives under the scrutiny of one totalitarian regime after another. But most of the evidence we saw suggests no active resentment towards the Gov-

ernment, and a stoic, almost apathetic, acceptance of the situation.

Travel across the country reinforces how scattered and isolated its population of three million is. Even Tirana has no more than 200,000 residents. These conditions make it difficult for dissent to attain the "critical mass" necessary to boil over into concerted defiance.

The treatment of our travelling party was itself evidence that the Albanian Government was feeling relatively secure, despite the sound of dominoes toppling all round. Yugoslav and Greek sources have been telling of disturbances in northern cities, and fear stalks the Greek community in the south after the alleged murder of villagers trying to flee the country. Albania denied these reports, but subsequent requests by foreign journalists to visit the country have been refused, reinforcing fears beyond Albania's borders.

Our coach party of 23, entering Albania from Greece, was the first normal tourist visit since the reports. It was not surprising that several reporters joined the party hoping to see the atmosphere of the country for them-

selves. What did surprise was the apparent decision of the Albanian authorities to turn a blind eye to this obvious possibility. The most paranoid Government in Europe for the last 40 years (until the Ceausescu regime briefly surpassed it) dropped its guard at this significant moment when world interest was concentrated on a country that

East Berlin (Reuters) — Mr Yumzhadin Tsedenbal, the former Mongolian Communist party chief, has been expelled from his country's youth movement at the age of 73, the East German ADN news agency said. The official mass youth organization also stripped him of the medals it had awarded him.

usually at the edge of international attention.

In the early 1980s, Albania maintained a rigid ban on professional journalists and meticulously went through the luggage of all tourist visitors, examining all written material and confiscating any journals with articles about the country, guidebooks and Bibles. Inside the country, prohibitions

on free movement and photography of anything identifiable as of military significance were extremely tight.

In recent months these rigours have eased, in line with a cautious relaxation of the kneejerk defensiveness towards the outside world imposed by Enver Hoxha, the country's former leader. But, by prevailing standards, our treatment was strikingly tolerant.

Searches on entering and leaving the country were cursory. As we gained confidence during four days in Albania, our questions grew so purposeful that our guides must have gained an inkling that we were not there for the scenery. It is hard to avoid the conclusion that the Albanian Government was well aware that journalists would join our party, and accepted this as an informal means of countering reports it believed were motivated by a desire to destabilize the country.

As we crossed back into Greece, the first newspaper we saw was the right-wing local daily *Proinos Logos*, which led its front page with a report of widespread shooting in Tirane attributed to Yugoslav and Hungarian sources. The

relaxed appearance of the crowds we had seen taking their evening promenade in the streets of Tirana the day before gave not the slightest support to this account.

We were aware of restrictions, of course. Local people were helpful and polite but disinclined to talk politics. Some of us were followed when we left our hotel, and some who tried to travel outside Tirana on their own were forcibly turned back by the security forces. Several times I was kissed at by plain-clothes guards when I strayed across invisible lines of prohibition on one of Tirana's main boulevards, and was startled when I went into an apparently innocent park only to be confronted by a fierce boy soldier brandishing a gun, who had been hiding behind a tree.

Albanians live under conditions which in the West would seem austere and oppressive. They must be more or less aware of the difference from radio and television. But I saw no sign that this knowledge had converted itself into widespread opposition towards their rulers, let alone into an organized political challenge to the rulers in Tirana.

Proposal by Hurd for upgraded European partnership with US

By Michael Knipe, Diplomatic Correspondent

Mr Douglas Hurd, the Foreign Secretary, yesterday proposed doubling the frequency of meetings between US Cabinet members and European Community Commissioners and substantially enhancing transatlantic political dialogue on broader foreign policy issues.

In preparation for his first visit to the United States as Foreign Secretary next week, Mr Hurd called for measures to be taken to fashion what he called a new consultative partnership between the United States and Europe.

The welcome developments in Eastern Europe had created a need to draw up a new European architecture, he said. The time was now right to take a "historic" step to deepen and broaden the transatlantic relationship.

"I propose that we should introduce a pattern of regular and formal meetings between EC Foreign Ministers and the US Secretary of State," said Mr Hurd in remarks to the Association of American Correspondents in London.

The new European diplomatic architecture he envisaged he said had three essential components.

Firstly, the Community, which was already working for deeper integration and deeper links with the European Free Trade Association, would be considering the right forms of association for new democracies in Eastern and Central Europe as political and economic reforms took root. Secondly, the Atlantic alliance, the essential basis of

common Western defence would retain its central role. To say this was not to hark back to the Cold War. The need for effective transatlantic political consultation on Nato security issues was in no way diminished in the more volatile circumstances of today.

Third, a forum for pan-European discussion, embracing also the US and Canada

Deng prediction

Hong Kong (AP) — Mr Deng Xiaoping, China's senior leader, has predicted the downfall of President Gorbachev and a resurgence of Kremlin conservatism. The *South China Morning Post*, quoting Chinese sources in Peking, said Mr Deng told Communist Party elders last week that the ethnic turmoil and separatist movements sweeping the Soviet Union were products of perestroika. "After Gorbachev has fallen from power, he will be replaced by the conservative faction," Mr Deng was quoted as saying.

which already existed in the structure of the Conference on Security and Co-operation in Europe could well be further developed.

There was a case for a CSCE summit later this year, said Mr Hurd. But the momentum of change demanded new measures and new means.

He said Mr James Baker, the US Secretary of State, had been right to call for a strengthened EC-US relation-

ship and the time was now right to do this.

Such a "new consultative partnership" should have two key components, said Mr Hurd.

Looking first at issues of world trade and of 1992 in Europe, at present there were no more than a yearly round of high level meetings between European Community Commissioners and US Cabinet members and this was not enough, Mr Hurd said.

"We could double the frequency to deepen this partnership," said Mr Hurd. And building on this, there could be a much more regular exchange of visits between Washington and Brussels at all levels.

"This new partnership will need a thicker fabric and a stronger yarn," said the Foreign Secretary.

The second key part of the new partnership would involve substantially enhancing political dialogue on broader foreign policy issues. Within the European political co-operation format, EC Foreign Ministers as a group saw the US Secretary of State no more than once a year and that was almost incidentally in the margins of the UN General Assembly.

"The complex demands of the 90s leave this looking quite inadequate," said Mr Hurd. "So I propose that we should introduce a pattern of regular and formal meetings between EC Foreign Ministers and the US Secretary of State."

Belgium hints at reduction of troops in West Germany

From Michael Binyon, Brussels

Mr Guy Coeme, the Belgian Defence Minister, hinted yesterday that his country could be ready to withdraw some of its 25,000 troops from West Germany if the threat to Western Europe from the Warsaw Pact continued to decline.

In an interview with two Belgian newspapers, Mr Coeme said: "With the reduction of the Warsaw Pact's fighting capacity, how can we justify the status quo on our side, the continued presence of troops in Germany?"

In the same interview Mr Coeme made it clear that Belgium would reject a call from Nato planners to raise the organization's annual defence budget by 5 per cent.

He said the call was unrealistic in view of the growing prospects for disarmament, and declared that Nato itself should be thinking of cutting defence spending "at a time when a political signal (to Eastern Europe) is of capital

importance". He added that he had written to Herr Manfred Wörner, the Nato Secretary-General, to express his disagreement in principle with the proposed increase.

Mr Coeme's comment on troop withdrawals was the second time in two days that a European Nato ally had raised the possibility of a pull-back from West Germany in response to the easing of East-West tensions. It came against a background of increased moves towards disarmament among the Warsaw Pact nations and increasing calls by Hungary, Czechoslovakia and Poland for a withdrawal of Soviet troops stationed in Eastern Europe. The Netherlands' Defence Minister made a similar remark in a television interview two days ago.

Mr Coeme said Belgian military leaders were drawing up contingency plans for an eventual reassignment of the troops in Germany to bases in Belgium, but he made it clear

that there would be no move before the conclusion of a Conventional Forces in Europe (CFE) accord in Vienna, expected later this year.

A Defence Ministry spokesman added yesterday: "No pull-out — partial or otherwise — is planned for the moment." He said Mr Coeme had merely been expressing his thoughts in response to improved East-West climate.

Keeping troops and their families in West Germany costs Belgium some £50 million a year. The country, with a large budget deficit, needs to trim its public spending.

Under the CFE proposals, Belgium will withdraw 1,500 men from Germany, but Mr Coeme said their return could cause problems in view of the lack of sites and the cost of building new bases.

He added that General Jose Charlier, the Chief of Staff, had been instructed to draw up plans to deal with the problem.

Airlift to Moscow for wounded soldiers



Wounded Soviet soldiers being flown from Azerbaijan for treatment in Moscow yesterday. The rebels threatened to make republic "a second Afghanistan".

Kremlin counts economic cost of unrest

From Mary Dejevsky
Moscow

A senior Soviet official yesterday revealed that the combination of ethnic and labour unrest in Azerbaijan cost the Soviet Union more than seven million working days last year and production worth about a billion roubles (£1 billion).

This was the equivalent of 30,000 workers being absent from their jobs every day of the year — in a country where large-scale strikes were a rarity until last year — and led to a fall in national output.

Giving an account of last year's economic performance, whose gloom was lightened only by an unexpectedly good sugar-beet harvest, Mr Nikolai Stetsko, the deputy head of the state statistics office, revealed that the Soviet national debt

had risen to 400 billion roubles, the internal budget deficit for last year was at 92 billion roubles, just under target, and the value of food and consumer goods for which demand could not be met was an estimated 165 billion roubles.

Mr Belov noted that the obvious market solution — to increase prices — was unacceptable. Price rises averaging 49 per cent, he said, would be necessary to balance supply and demand. Given the black-market prices for consumer goods, many would consider that an underestimate.

Unusually, the extent of the black market had been taken into the calculations of the statistics office and Mr Belov gave an approximate figure for what he called "non-regulated economic turnover". Soviet

citizens, he said, had "overpaid more than 62 billion roubles" in what he called the shadow economy. By overpayment, he meant the difference between what people would have paid at state prices had the goods been available and what they had paid on the black market.

He said that this figure showed "the relevance of a major crackdown on this evil", suggesting that stronger measures against the only flourishing sector of the Soviet economy might be forthcoming.

Mr Belov said that the inflation rate for the year had been calculated at 7.5 per cent, taking unsatisfied consumer demand into account, but this figure seems an underestimate to people living here.

Mr Belov spoke of the volatile market conditions

here, with regular shortages that encourage hoarding and panic-buying, and rumours (unfounded, he insisted) of impending monetary reform. He mentioned that purchases of soap and detergent rose by half last year, compared with the year before — a fact that he blamed on the scarcity of soap early in 1988. Even allowing for that increase, the Soviet citizen is hardly an extravagant user of soap, with recorded purchases amounting to 7 lb. seven of soap and 3 lb. of detergent per person for the whole year.

Mr Belov doubted whether universal rationing of food and other goods, a measure some economists favour, was realistic.

Some regions, he said, had introduced meat rationing but in others this was not possible because the authorities had no

hope of supplying enough meat for the number of people who would then be entitled to buy it.

NEW YORK: Western experts say that the ethnic strife in Azerbaijan has begun to disrupt production of oil in the Soviet Union, by far the world's largest oil producer and also a large exporter (*The New York Times* reports).

Market analysts say, however, that virtually all nations could be affected.

The Soviet Union produces about 12 million barrels of oil a day. While Azerbaijan produces only about 3 per cent of the Soviet Union's oil, it is home to two-thirds of the country's oil services industry — the factories that make the valves, pipes and more specialized equipment needed to operate wells from the Baltic to the Pacific.

Protesters urge Turkish Army to march on Baku

By Resit Gurdlek in Ankara and Daniel Treisman in London

Thousands of Azeri Turkish demonstrators chanting "Killer Gorbachev" yesterday urged the Turkish Army to march on the Soviet Azerbaijan capital of Baku.

The protesters, estimated by police at about 20,000, shouted "Turkish Army to Baku" and waved placards reading "Azerbaijan we are with you" and "Red Army out of Azerbaijan" at the eastern border town of Igdir, nine miles from the snow-capped frontier with Soviet Armenia.

It was the most dramatic illustration yet of rising resentment felt by Turkish Azeris at the Soviet use of

force against their compatriots on the Soviet side of the border.

As elite police commandos and paramilitary gendarmes looked on, demonstrators, including veiled Muslim women, shouted "Down with America" after speakers said Washington had supported the Soviet army action in Azerbaijan.

"Azerbaijan will be a graveyard for Armenia," the crowd shouted, waving a sea of green, red and blue Azerbaijani flags. Some protesters said they were prepared to go to Soviet Azerbaijan to fight if the Turkish Government would allow

them. Others chanted "Allah-o-Akbar (God is Great)" and held up banners proclaiming "There is no God but Allah".

The rally was the biggest so far in Turkey, home to an estimated 400,000 Shia Muslim Azeri Turks, since Soviet troops cracked down on unrest in the Transcaucasus. Most Azeri Turks live near the 390-mile frontier with the Soviet Union.

Mr Mesut Yilmaz, the Turkish Foreign Minister, yesterday said both the Government and the public are convinced the Armenians initiated the recent flare-up of conflict over

Nagorno-Karabakh with "provocations and acts of violence".

The Turkish press has accused the West of succumbing to a "crusade mentality" and rushing blithely to the defence of Christian Armenians against Muslim Azeris with little regard for the facts.

President Turgut Ozal and government officials have so far responded with restraint to the upheavals in the Caucasus, in an attempt to protect rapidly developing economic and political ties which they hope to substitute for cold war tensions with their superpower neighbour.

THE COLLAPSE OF COMMUNISM

Fragile Romanian Government fights mounting protests

From Christopher Walker, Bucharest

Romania's fragile provisional Government, the National Salvation Front, was fighting for survival yesterday as members of all but one of the 18 newly-registered political parties finalized plans to stage a march through Bucharest on Sunday to protest against its plans to stand in May's general election.

For the second time in 24 hours, student demonstrators were out on the streets of Bucharest last night and an angry crowd marched on the headquarters of the Front with a list of demands.

The students, whose anger has been increased because they say they were in the front line of the demonstrations against Ceausescu, were demanding an end to what they called "a totalitarian situation" which contradicted the provisional Government's initial platform in favour of pluralism.

The students demanded that the present members of

the 145-member Front should stand down and be replaced by a neutral and provisional body until elections. The demonstrators also chanted slogans against the alleged censorship of the Romanian media and attacked the recent appointment of Mr Arel Munteanu, a leading member of the Front, as the new director of Romanian television.

Organizers of Sunday's march defiantly declared their intention to proceed with the anti-government protest, expected to be the biggest since the December revolution, despite sweeping new laws aimed at outlawing spontaneous demonstrations and backed by maximum jail penalties of 30 days.

Under the new decree, published in full yesterday, demonstrations are to be restricted to three parks and one square in Bucharest, or a route agreed 48 hours in advance by the police and the Mayor.

Similar sites for uncontroversial demonstrations are to be assigned in all regional cities including Timisoara where the December revolution began.

It did not specify guidelines for drawing up an agreed route, but sources said the law was designed to prevent protests outside government offices similar to that on January 12 which prompted the Government to make hasty policies which were later reversed.

Leaflets advertising Sunday's march say it will take a controversial route through the city centre to the interim Government's heavily-guarded headquarters inside the Foreign Ministry.

Sources inside the Front remain hopeful that the decision to open public trials against Ceausescu's main aides on Saturday in a 700-seat hall inside the Defence Ministry may divert public attention and satisfy critics.

Walesa delivers a snub to Havel



President Jarmuzski, right, welcoming President Havel of Czechoslovakia to Warsaw for his one-day official visit yesterday. Mr Lech Walesa, the Solidarity leader, later snubbed Mr Havel by staying away from a Warsaw lunch, apparently angry because Mr Havel, a former dissident, went to

East and West Germany rather than Poland on his first foreign trip earlier this month (Razier reports). Mr Walesa instead attended a shipyard rally in Gdansk. Sources said Mr Walesa believed Mr Havel should have come to Poland first to thank the Poles for launching the democratic

movement that later swept through Czechoslovakia.

STOCKHOLM: President Havel has reopened a 350-year-old dispute with Sweden by announcing that, when he visits Stockholm in May, he will demand the return of "The Devil's Bible", one of the world's most valuable books, plundered from Prague by Swedish troops in 1648 during the Thirty Years War (Christopher Mosey writes). Mr Bengt Goransson, the Swedish Minister of Culture, said the demand would be resisted. "This object came here a very long time ago and is part of our cultural heritage," he said.

But, in a letter to the Socialist Party election committee, Mr Nemeth indicated that he would also accept the nomination to run as a Socialist Party candidate at county level. Under Hungary's complex new electoral law, MPs may be elected at the constituency and county level as well as by being on a national list.

Hungarian surprise at outset of campaign

From Ernest Beck, Budapest

Hungary's first multi-party election campaign began with the surprise announcement yesterday that Mr Miklos Nemeth, the Prime Minister from the Socialist (formerly the communist) Party, had agreed to run as an independent at the constituency level in his home county of Borsod-Abaúj-Zemplén.

More than 1,000 citizens signed a petition nominating him, well over the 750 necessary, in what was seen as a "favourite-son" candidacy.

But, in a letter to the Socialist Party election committee, Mr Nemeth indicated that he would also accept the nomination to run as a Socialist Party candidate at county level. Under Hungary's complex new electoral law, MPs may be elected at the constituency and county level as well as by being on a national list.

Mr Nemeth told journalists that if elected he would enter Parliament as a "Socialist". When pressed whether he thought that Socialist Party policies were right for the nation, Mr Nemeth answered: "Who knows? The people will have to decide."

Exile plans to start opposition media

From Our Special Correspondent, Bucharest

Mr Ion Ratiu, one of Romania's best-known exiles, returned yesterday to stand as an opposition election candidate and immediately unveiled ambitious plans to found a daily newspaper and a radio station opposed to the ruling National Salvation Front.

Mr Ratiu, back on his native soil for the first time since 1940, said that the finance machinery and personnel had been assembled to enable a daily paper with a print run of 500,000 to be opened within six weeks. He said he was also ready to open a radio station within a fortnight.

There is a shortage of daily newspapers in the Romanian capital, where large queues

form in freezing temperatures for those available. Critics of the Government across the political spectrum claim that the existing papers do not represent political opinion in the post-revolutionary climate.

"I am not the patsy of any superpower," said Mr Ratiu, who will be campaigning to bring in Western capital. He is a member of the revived National Peasants' Party and will stand for elections in Turda, his home town.

Mr Ratiu is bitterly critical of the Front, which he said had close links with the old Communist Party led by Nicolae Ceausescu. "I am afraid that the revolution has killed the dog and left its chain," he said.

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(After January 25th).

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WORLD ROUNDUP

Mugabe named in Zambia coup plot

Harare — President Mugabe of Zimbabwe has been named in a Zambian treason trial as a backer for an alleged plot to overthrow President Kaunda (Jan Raath writes). The allegation, made this week by an army officer named only as "Mr Sugar", his identity concealed by a court order, was immediately denied by the Zimbabwe High Commissioner to Lusaka, Mr Andrew Mtetwa. "There is no truth in the allegations," he told reporters.

"Mr Sugar" was quoted at length on the front pages of the Zambian press yesterday as saying that Lieutenant Christon Tembo, aged 46, both a former army commander and Zambian Ambassador to Bonn, and three other senior army officers all charged with treason, had told him of Mr Mugabe's alleged support in late 1988, shortly before the coup was said to have been planned to occur.

Haiti siege rule to end

Port-au-Prince (Razier) — President Avril of Haiti said yesterday that he expects to lift a five-day-old state of siege today and to proceed with elections in October despite a crackdown on opponents. General Avril has faced international condemnation — including some from the United States, which called the crackdown outrageous — and come under heavy pressure to lift emergency measures under which several of his leading opponents were deported. Opposition sources said authorities had deported Mr Antoine Izmerie, a millionaire businessman, to Miami in retaliation for his criticism of the Avril Government.

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Czech butter scare

Prague — Close to 300 tonnes of Czech butter contaminated with highly toxic polychlorinated biphenyls may have found its way to Dutch grocery shelves, the Czech Government has revealed (Peter Green writes). Mr Milan Cakajda, first deputy Minister for Agriculture and Food, said Dutch importers who bought the butter from the Government were fully aware that it was unfit for human consumption. He said 293 tonnes of contaminated butter was sold last year, most of it to the Dutch. PCBs, which have been linked to cancer and severe birth defects, first entered the food chain from paint used in farm buildings, he said, adding that contaminated foodstuffs were not systematically destroyed and instead were often reused.

Floods bring unrest

Tunis — Heavy floods have provoked serious unrest in Tunisia, where 21 people have died and 15 more are missing after the heaviest rains recorded (Penny Gibbins writes). More than 800 angry demonstrators, said by the Government to be Islamic fundamentalists, reportedly rampaged through the flooded town of Sidi Bouzid in central Tunisia on Wednesday, brandishing the body of a drowned man. The crowd besieged the local government building hurling stones and shouting: "Martyrs, we will sacrifice our life blood for you" — an alleged reference to the flood victims. They also set a parked car on fire. The police arrested six people inside the building and 20 other demonstrators.

Murder suspect held

Marseille (AFP) — Police yesterday detained a city councillor suspected of ordering the gangland-style execution of a mayor. Sources close to the inquiry into last week's shotgun murder of Dr Jean-Jacques Peschard, Mayor of the city's Seventh Sector, said that councillor Dr Armand Gallo had made a circumstantial confession, but refused to reveal any motive. Dr Gallo was detained on Wednesday night after M Marcel Long, a former convict who gave himself up on Sunday, claimed Dr Gallo ordered the shooting on January 16, police said.

Mandela reaffirms support for state control of industry

From Gavin Bell, Johannesburg

Nelson Mandela, the black nationalist leader expected to be released from prison next month, has denied reports that he no longer favours state control of key sectors of the South African economy and reaffirmed his commitment to the nationalization of key industries and financial institutions in a post-apartheid society.

In a rare public statement from his warden's villa at Victor Verster prison in the western Cape, Mandela implicitly rejected the Government's policy of privatization and ruled out any compromise on the issue.

His handwritten note said: "The nationalization of the mines, banks and monopoly industries is the policy of the ANC and a change or modification of our views in this regard is inconceivable. Black economic empowerment is a goal we fully support and encourage. But in our situation state control of certain sectors of the economy is unavoidable." Mandela requested that his statement, contained in a letter to colleagues in Johannesburg, be given "the widest publicity".

The declaration contradicted statements attributed to Mr Richard Maponya, a black businessman, who visited him in prison earlier this month. Mr Maponya was quoted as saying: "Mandela said he did not believe in nationalization, because it was clear such a policy ran counter to the need to keep the South African economy growing to provide jobs... He is definitely inclined towards a free-enterprise system."

This assertion, widely publicized in South Africa and

overseas, led to speculation that Mandela had abandoned economic policies enshrined in the ANC's Freedom Charter, and created considerable confusion and anxiety in black nationalist circles. Analysts said that Mr Maponya had either misunderstood Mandela's position or been misquoted, and said that Mandela was seeking to reassure comrades that he was still faithful to their goals.

The statement will not be welcomed by the Government, which is engaged in widespread privatization to pay off the national debt. The state steel and iron ore corporation, Iscor, was sold to the private sector last year, along with most of the oil

Ladysmith, South Africa (AFP) — Two heavily armed youths, aged 16, surrendered to police after holding high school children hostage for five hours here. One of the youths' demands was the release of Nelson Mandela.

company, Sasol, and shares in the aluminium company, Alusaf.

Prime targets of the ANC nationalization policy would be six big corporations which essentially control the economy. In addition, the "monopoly industries" to which Mandela referred include the post office, railways, electricity and brewing.

It is now almost certain that Mandela will be released next month after more than a quarter of century in prison. However, the Government is said to be having second thoughts about simultaneously removing the ban on the ANC, following "disappoint-

ing" statements by its leadership in Lusaka last week.

After an all-day Cabinet meeting, a government source said that, unless "something untoward" happened, Mandela would be free before the end of February. But the ANC position appeared to fall short of the commitment to peaceful solutions that Pretoria was seeking.

The source said President de Klerk was expected to announce a phased lifting of the state of emergency when he opens Parliament a week from today. While steps may be taken to legalize restricted organizations such as the United Democratic Front, other emergency regulations, such as the ban on television, could remain.

The ANC leaders in Lusaka said they were committed to negotiations with Pretoria and a "mutual suspension of hostilities", but they concluded that nothing substantive had changed in South Africa and "the situation continues to make the armed struggle a key component of our strategy".

A commander of the ANC's armed wing said later that its cadres would "only back serious negotiations that will result in the transfer of power to the masses, and up to now we have not seen any tangible signs of this development from the apartheid regime".

Dr Zach de Beer, joint leader of the opposition Democratic Party, said that President de Klerk intended leaving a disproportionately large amount of political power in the hands of whites, and his plans had no chance of being accepted by any black leader or party of significance.

Striking police in Kashmir under the gun



Police in Srinagar, Kashmir, being held at gunpoint yesterday by a soldier after denouncing Indian security forces. Hundreds of Kashmiri police are on strike, accusing Indian forces of killing one of their colleagues in clashes last week with militants demanding independence or secession for Kashmir.

Row over PLO fuels Israeli split

From Richard Owen, Jerusalem

A left-wing Israeli minister yesterday outraged right-wingers by telling the Knesset that there could be no settlement with the Palestinians without the approval of the Palestine Liberation Organization.

The row that ensued has strained the fragile coalition of Mr Yitzhak Shamir, the Prime Minister, to near breaking-point.

At the same time, Israeli officials accused the US and Europe of using the threat of economic sanctions to try to force Israel to make concessions to the Palestinians. Senior US officials had warned that US aid to Israel could be "frozen" if Israel continued to "obstruct" the peace process and Mr Shamir carried out his avowed intention of settling new Soviet Jewish immigrants in the occupied West Bank.

The European Parliament has also recommended that the European Community should stall scientific co-operation projects worth £1.2

million until the Israeli authorities reopen universities in the West Bank and Gaza that have been closed during the intifada, the Arab revolt.

The controversy in the Likud-Labour party coalition flared when Mr Shimon Peres, the Labour leader and Deputy Prime Minister, said in Cairo this week during talks with President Mubarak that agree-

ment on the first direct Israeli-Palestinian talks was "very close". He hinted at a compromise over the composition of the proposed Palestinian delegation, which could include Palestinians deported from the occupied territories.

West Beirut — Israeli aircraft yesterday attacked bases east of Sidon of the three main Palestinian guerrilla organizations (Juan Carlos Guncio writes). The attacks were in retaliation for the killing of a senior Israeli army officer in an ambush five days ago. There was no immediate report on casualties.

from the occupied territories for intifada offences and prominent Arabs from East Jerusalem.

Mr Yitzhak Rabin, the Defence Minister, also from the Labour Party, is believed to have suggested a similar compromise in Washington last week. However, Mr Shamir's aides said the Peres-Rabin formula was unacceptable.

Meanwhile, senior government legal officers this week said action in the courts was being considered against Mr Ezer Weizman, the Science Minister, over his decision to break the agreed coalition ban on contacts with the PLO.

Yesterday's furore in the Knesset began when Mr Yossi Beilin, a senior Labour figure, said: "Our target is to bring about a situation whereby the PLO will accept our political programme and give the green light to Palestinians in the territories to talk to us in order to achieve elections."

A further test of coalition unity comes next week when

the Prime Minister faces a vote of confidence demanded by Likud right-wingers who think that his plan goes too far. The Shamir plan glosses over key points, such as Likud's desire to hold on to the West Bank; Labour favours withdrawal and PLO involvement in a subsequent administration.

According to an opinion poll published this week by the Institute of Political Planning, the right is growing in strength. It showed that 56 per cent of Israelis would not object to "serious restrictions on democracy" in the event of "a slight threat to state security" — an increase from 44 per cent three years ago. And 45 per cent favour "a strong order without being dependent on elections", compared with 34 per cent in 1987.

Palestinian Arabs yesterday held a general strike to protest against Mr Shamir's plan to settle Soviet immigrants in the West Bank.

Chinese warn US over Bill

Peking (Reuters) — As the United States Senate was last night preparing to vote on a Bill to allow Chinese students fearing persecution at home to remain in America, China warned Washington that relations would be seriously damaged if the Senate followed the House of Representatives in overturning President Bush's veto of the Bill. The House vote was 390 to 25.

'Angel' jailed

Riverhead, New York (Reuters) — Richard Angelo, a male nurse known as the "Angel of Death", who injected his patients with a potentially lethal muscle relaxant so that he could be their heroic rescuer, was sentenced to from 50 years to life in jail over the death of four of them.

Panama aid

Washington (Reuters) — President Bush is to ask Congress for \$500 million (£300 million) to help Panama recover from the impact of the US invasion to depose General Manuel Noriega. The Washington Post reported.

Greek strike

Athens (Reuters) — Greek hospitals and transport services were severely disrupted when about 1.2 million workers joined a 24-hour general strike to press their demand for above-inflation pay rises.

Reforms go on

Wellington — The caucus of New Zealand's Labour Party has elected a Cabinet heavily weighted to the right in a sign that economic reforms are to continue despite bitter opposition from the left.

Oil spill cost

New York (AP) — The Exxon Corporation claims the cost of cleaning up last year's Exxon Valdez oil spill off Alaska has reached about \$2 billion (£1.2 billion) and could climb still higher.

Officer jailed

Miami (Reuters) — William Lozano, aged 30, a former police officer, was sentenced to seven years in prison for the shooting deaths of two black men last January that heightened racial tensions in Miami.

Cubans killed

Havana (AFP) — The Cuban troop withdrawal from Angola is to be temporarily suspended after the killing of four Cuban servicemen there, the Foreign Ministry said.

British rape victim wins damages from France

From Philip Jacobson, Paris

After a five-year campaign for justice from the French Government, a young Englishwoman who was raped in Paris has received compensation of 50,000 francs (just under £5,000).

In the first case of its kind to be heard in France, she was represented by a French-based British barrister who had previously won a precedent-setting verdict for a Sussex man mugged in the Métro.

Miss X, as she is known, received news of her victory in a letter from the Court of Assizes earlier this month. It informed her that a private hearing last month concluded that she was entitled to damages from the Commission d'Indemnisation des Victimes d'Infraction, the French equivalent of Britain's Criminal Injuries Compensation Board.

The man who raped Miss X was imprisoned for five years and ordered to pay her 50,000 francs. But, as he was virtually

insolvent, she stood no real chance of recovering the money. The later ruling that she be compensated from public funds is seen in legal circles here as a direct consequence of the successful action previously brought on behalf of Mr Ian Cowan by Mr Philip Jacobson, one of the few British barristers qualified to practise in France.

Mr Cowan, a retired accountant from Worthing who was on holiday in Paris, suffered a serious spinal injury when attacked by a thug at Madeleine station. Although a French citizen hurt in comparable circumstances while in Britain is automatically entitled to claim damages (such as won by a French woman injured in the Harrods bombing) the authorities here argued that only "economically active" British subjects — those working in France — were covered by the Treaty of Rome. At the culmination

of a long, hard legal battle, Mr Jacobson — who practises at the Bar of Lille — took the French Government to the Court of Justice of the European Community in Luxembourg.

It ruled that France was discriminating against other EC citizens illegally; last April, after a 30-minute hearing at the Palais de Justice in Paris, the public prosecutor and lawyers for the authorities withdrew their opposition to Mr Cowan's claim for 77,000 francs.

At the time, Mr Jacobson predicted that this breakthrough would "put French law severely out of joint" and open the way for other compensation claims from British visitors to France. The case of Miss X, who is from the north of England, suggests that the French now accept judgements in Luxembourg as taking precedence over their own legal code.

Mafia trial told of bugging

From James Bove, New York

New Yorkers have been given their first glimpse into the cliché-ridden, world of Mr John Gotti, the self-described plumbing salesman from suburban Queens reputed to be the "Godfather" of America's largest Mafia family.

FBI bugs planted in the alleged crime boss's inner sanctum, the Bergen Hunt and Fish Social Club in Queens, caught the "Dapper Don" boasting of being "God's gift to the underworld". The secret tapes were played on Tuesday at Mr Gotti's televised trial on assault charges here.

The hearing is the latest in a long series of attempts by the FBI to put him behind bars.

He and an associate, Mr Anthony "Tony Lee" Guerieri, are accused of ordering the shooting and wounding of a trade union leader blamed for wrecking a Mafia-linked restaurant renovated by non-union labour.

Prosecutors hope the tapes will prove that Mr Gotti became head of the Gambino crime family after the previous head, Paul Castellano, was killed in 1985 as he left a Manhattan steak house.

The recordings catch Mr Gotti repeatedly boasting about being the new boss. "Me and you may socialize, but I can't socialize with those guys," he said in one

conversation three weeks after Castellano's death. "I can't bring myself down. I'm a boss. You know what I mean. I got to isolate myself."

But, evidently relishing his TV stardom, Mr Bruce Cutler, Mr Gotti's beefy table-thumping lawyer, portrayed his client as an upstanding member of the community, a rehabilitated convict who was being persecuted by publicity-seeking prosecutors.

"You are going to hear evidence of who John Gotti really is," he told the jury and the cameras. "That he's not some ogre. That he's not a gangster. That he's not a madman."

Model missing



"Asylum seeker": Zhai Bei, one of China's top models, who went missing from her Hong Kong hotel on Monday and is believed to be seeking political asylum. Miss Zhai, aged 22, was in Hong Kong to take part in a fashion promotion.

Boat people protest

Two more attempt suicide in camp

From Jonathan Braude, Hong Kong

Two more Vietnamese boat people attempted to disembowel themselves yesterday in protest at plans to deport thousands of their fellows against their will.

At the same time, Hong Kong expressed disappointment at the failure of the Geneva conference on Indo-Chinese refugees to agree on when forcible deportations should resume.

The two men, from the Whitehead Detention Centre, were last night refusing treatment by government doctors at a nearby hospital, more than 12 hours after stabbing themselves with home-made knives. They were returned to the camp after discharging themselves from hospital.

A government spokesman said first-aid by staff at the camp had staunched the bleeding and their condition did not appear to be serious.

The Vietnamese, both in their thirties, were the second pair at Hong Kong's largest detention centre to turn their weapons on themselves. One of the two Vietnamese who stabbed themselves last week is still in hospital.

Meanwhile, in spite of

threats of mass suicide at the Whitehead camp if Hong Kong goes ahead with forcible repatriation, there was anger here towards the United States and Vietnam for blocking agreement at the international conference in Geneva on Wednesday.

Hong Kong fears a new influx of tens of thousands of boat people when the sailing season from Vietnam begins in the spring, and had hoped that a large number of deportations over the next few weeks would act as a deterrent.

However, the Government argues that the United States now at least accepts the need for mandatory repatriation, and disagrees only on the timing. "That amounts to very considerable progress," Mr Mike Hanson, the government's refugee co-ordinator, said.

Ms Rita Fan, a member of the Legislative Council, described the US action as "irrational".

"By March this year, there should be at least 2,000 returnees so that the message gets through to Vietnam that Hong Kong is not a gateway to the West," she said.

Treasure-hunters plunder Lebanon's past

From Juan Carlos Guncio, Beirut

Lebanon not only appears doomed to live without a future, but it is tragically erasing its splendid past. Armies of treasure-hunters are plundering the country's vast archaeological sites in search of Roman coins, Phoenician statues, Greek utensils and ancient ornaments to export illegally to private collectors in the United States.

It is a profitable, but very secretive and often risky business that archaeologists and researchers still working here contemplate with alarm and impotence as a by-product of Lebanon's endless calamities.

After 14 years of war, the Antiquities Law, for example, cannot even be found in Beirut's main libraries and universities. In sharp contrast, signs of a circuit of illegal exports of Lebanon's patrimony are almost everywhere. Yesterday the massive capital of a Roman column stolen from ruins near Tyre was on sale on a street in the slums of west Beirut.

Its authenticity was certified by a

prominent archaeologist posing as a potential client who was asked \$200 (£121) for the piece. The dealer, a burly middle-aged Muslim, volunteered to make the necessary arrangements to have it shipped abroad.

"It's very easy and not very illegal," the man said. "I have sent many, many columns to Saudi Arabia. You should see them. They make beautiful table legs."

A few weeks ago, a shipping agent in Christian east Beirut was reportedly assigned the challenging task of sending a Roman sarcophagus abroad — undeclared. He did succeed, according to reliable sources familiar with the operation who declined to give other details because "powerful people" were involved. Jewellery, vases and other ancient valuables end up abroad and their new owners often keep them in secret for years until time automatically legalizes their possession, the experts say.

Dr Helga Seiden, the German-born head of the archaeological department at the American University of Beirut, is among the growing number of

specialists who maintain that the looting of Lebanon's historic treasures has increased dramatically in recent years. "Illegal excavations thrive," she said. "Lebanon is being plundered frantically."

"In a country where archaeological material is ubiquitous, and where antiquities and monuments have traditionally been attributed greater value than historical information, rampant inflation has spurred clandestine digging rivaling gold rushes of old," she wrote in a recently published study.

"Buried archaeological material is being robbed in every corner of this land in broad daylight... At no other time in its brief history have there been so many 'excavations' in Lebanon."

Clearly, the majority of the Lebanese, though ignorant about their past, have understood that remnant bits and pieces of a broken-up history have a handsome market value. Which perhaps explains why so many militias throughout the wars in Lebanon have fought so hard to incor-

porate historic sites into their areas of influence.

Baalbek, with its colossal Roman temples, is now virtually the property of Shia Muslim radicals of the Hezbollah and the contingent of Iranian Revolutionary Guards, while Tyre's most important sites have until recently been used as training camps by Palestinian and Muslim guerrillas. They once served as gun emplacements by invading Israeli forces.

Biblos, with its impressive acropolis, crusader castle and Phoenician ramparts, remains under the tight control of the Christian Lebanese Forces militia. But no one knows if all the treasures once shown in its museum are still there.

Equally inaccessible for researchers, and under protection from plunderers, are a series of archaeological sites within the strip of Lebanese territory occupied by Israeli forces and their militia allies in southern Lebanon.

It is anybody's guess how much material has already disappeared and Lebanon's past can only have an uncertain future.

Bhutto gives birth to girl and steals opposition's thunder

From Zahid Hussain, Islamabad

Miss Benazir Bhutto, the Prime Minister of Pakistan, yesterday became the first woman to give birth as head of state. A baby girl was born to her by caesarian section at the Lady Dufferin Hospital, a charity hospital in the Karachi slum district of Layari. Miss Bhutto won her parliamentary seat in Layari district in November 1988.

This is her second child. Her son, Bilal Zardari, is aged 16 months.

Miss Bhutto, aged 36, was working until late on Wednesday and there was no indication that the birth was so close. Until 10pm she was at home for a family get-together. A close relative said: "She was blooming and looked relaxed. There was no sign of strain on her despite

her advanced state of pregnancy and a hectic working day."

"She talked about the joy of motherhood and she had hoped that delivery would take place around the first week of February."

On Tuesday Miss Bhutto distributed ownership papers of state agricultural land to hundreds of landless peasants in Tatta in her home province of Sindh.

She was due to leave for Islamabad yesterday but at 8.30am she was rushed to the hospital and operated upon.

As with her first confinement, on September 22, 1988, just before the general election, she sprang a surprise on her political opponents. A political observer said: "This time she stole the thunder out

of the opposition's move against her Government."

The combined opposition parties are holding a rally in Karachi today. Opposition leaders claimed that the rally would be a referendum on the Bhutto Government. But with the birth of the Prime Minister's daughter public attention has been diverted from the rally.

Miss Bhutto, who was married to Mr Asif Ali Zardari, a wealthy industrialist, in December, 1987, will stay in hospital for the next five days, according to her doctor, and then be moved to Bilawal House, her residence in Karachi for two weeks' rest.

Her mother, Begum Nusrat Bhutto, the senior minister, will act as Prime Minister during that period.

PARLIAMENT

January 25 1990

New material on Birmingham Six being examined

There was a heated clash between Mr David Waddington, the Home Secretary, and Labour MPs at question time over the case of the Birmingham Six, who were convicted of the 1974 pub bombings.

He said that he was considering further material given to him by a solicitor on behalf of the Birmingham Six and would decide "as soon as possible" whether it justified any intervention on his part.

Ms Clare Short (Birmingham, Ladywood, Lab) hoped that Mr Waddington would consider the matter with an open mind and that justice would be done.

She said that since the appeal of the Birmingham Six had been dismissed, eleven of the 20 men involved in questioning had been disciplined. "Hardly anyone in Birmingham believes that the six are guilty."

Mr Waddington said that, like his predecessor, he was always prepared to consider any new evidence or consideration of substance might cast doubt on the safety of the convictions. In that light he was looking at the material from the defence solicitor. However, it was an important principle that questions of guilt and innocence were decided by the courts, free of political interference.

The Court of Appeal had already considered at great length the circumstances in which the alleged confessions had been made, in addition to the forensic evidence.

Dame Jill Knight (Birmingham, Edgbaston, C) said that many people in Birmingham had been killed and injured so many, with utter horror.

There had already been two

appeals and one inquiry and it was outrageous that people such as Mr Christopher Mullin (Sunderland South, Lab), who repeatedly claimed to have more evidence, had repeatedly refused to make it available to the police.

Mr Waddington said it was quite extraordinary that anyone should be unwilling to co-operate with the police and to give them the evidence which he said cast doubt on the convictions.

"I hope that even at this late stage Mr Mullin will realize how thoroughly irresponsible is the attitude which he has adopted."

Mr Mullin said that Mr Waddington was obviously unaware that he had been interviewed for four hours by two senior Home Office civil servants and by the Assistant Chief Constable of the West Midlands, who told him he was "dragged here by the scruff of the neck by the Home Office".

The fact that the six men had been convicted partly on the basis of the West Midlands Serious Crimes Squad and that officers of the squad, including some of those in the original investigation who had since been caught red-handed forging confessions, was sufficient reason to refer the case to the Court of Appeal.

Mr Waddington said that the first part of Mr Mullin's remarks was "mere flannel" because he had not addressed himself to the point. Mr Mullin said that he knew those who had committed this diabolical offence and yet when asked to disclose their names, he flatly refused.

The inquiry in the West Midlands was being carried out by West Yorkshire police. They were looking at matters which had occurred since 1986 and which still required evidence or matters which led them to believe that they should look at

earlier matters, they were at liberty to do so.

Mr Roy Hattersley, chief Opposition spokesman on home affairs, asked if Mr Waddington thought that if West Yorkshire police discovered that offences had been committed since 1986 by officers previously involved in the Birmingham pub bombing investigation, that would justify a new inquiry. In the view of the Opposition, it would.

Mr Waddington said matters and evidence that were new or new considerations that might cast doubt on the safety of the convictions would be examined by him.

In reply to a further question, Mr Waddington said that as a result of an inquiry by the Devon and Cornwall police, the matter had then gone to the Court of Appeal, and a most pronounced inquiry had been carried out there. Days were spent examining the forensic evidence and more days examining whether the confessions could be relied upon.

Mr Brian Sedgemore (Hackney South and Shoreditch, Lab) said that in view of the indefatigable work of the English legal system by the Court of Appeal, would Mr Waddington make amendments by telling the British public that he would release them forthwith and invite the Director of Public Prosecutions to bring the case to the Court of Appeal in such a way as their lordships have no option other than to allow the appeal of these innocent people?

Mr Waddington said that Mr Sedgemore was talking nonsense. If new evidence was brought forward or new considerations not before the court of trial, then he would consider it and if it cast doubt on the convictions he would not be afraid to take appropriate action.

ID card scheme 'result of Thatcher ignorance'

The Government's original decision to bring in identity cards for football spectators had been based on the Prime Minister's personal obsession and ignorance, Mr Neil Kinnock, Leader of the Opposition, said at question time. He invited Mrs Thatcher to "make a little history and simply get up and say she was wrong".

Mr Kinnock said that she should do what she had done in past fiascos - blame someone else.

The ID cards issue and the Taylor report into the Hillsborough disaster were first raised by Mr Derek Fatchett (Leeds Central, Lab).

He said that now Lord Justice Taylor had joined football supporters, players and the police in condemning her ludicrous identity-card scheme, perhaps Mrs Thatcher would consider that it was her intention to drop the proposal?

Had anyone in the country, apart from herself, thought it a good idea in the first place?

Mrs Thatcher: The Home Secretary (Mr David Waddington) received the report on January 19. It is obviously right that MPs should have the complete report before it is discussed. It will be printed and published as soon as possible, hopefully by Monday, so that the Home Secretary can make a statement about it.

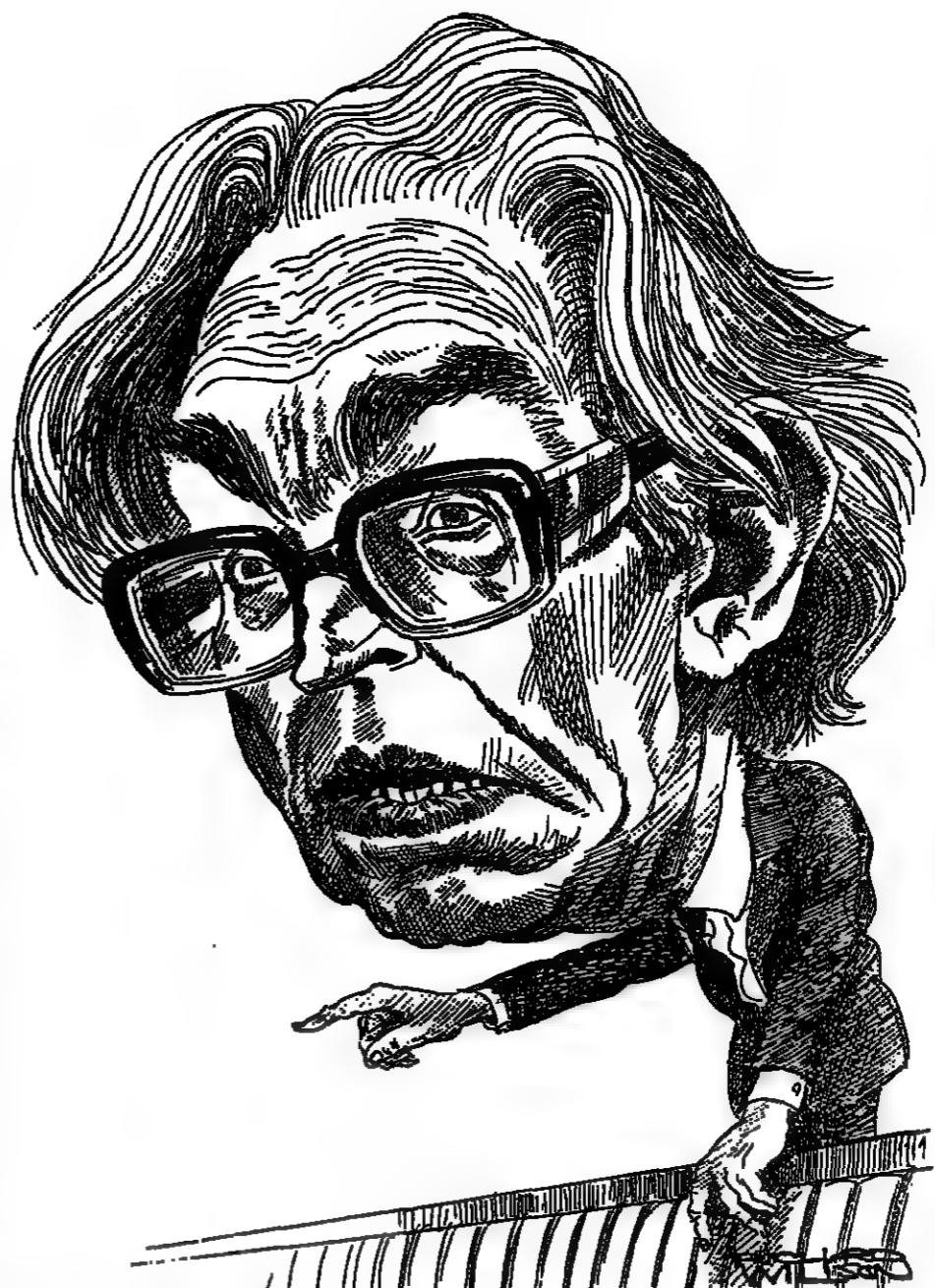
Mr Neil Kinnock, Leader of the Opposition, said that the shambles over the scheme proved that the Prime Minister's personal obsession and ignorance were not a sound basis for Government legislation.

Mrs Thatcher said that MPs should have the full report with the various recommendations from her Majesty's Inspector of Prisons in order to satisfy to consider it would be refused by Monday when the Home Secretary would make a statement.

Mr Kinnock said that the Opposition looked forward to the statement. But since the scheme had beyond doubt been the Prime Minister's obsession, should she not come to the House and make the statement.

Mrs Thatcher said that the Home Secretary would make a statement on the whole of the Taylor report.

At that time, Mr Kinnock had the assurance that the Government had given assurances to MPs during the passage of the Bill and he also knew of the measures the Government



had brought forward to restrict the sale of alcohol in football grounds, closed-circuit television in most league grounds, and segregation of supporters, and the statement immediately after Hillsborough by the then Home Secretary (Mr Douglas Hurd) that football grounds would become all-seater stadia.

This had improved matters but there was a great deal more to do and it was necessary to consider what Lord Justice Taylor had said before coming to a conclusion. (Labour MPs: Send her off.)

Mr Joe Ashton (Barneslaw, Lab) said that Lord Justice Taylor had said that Mrs Thatcher's law was an ass.

"She gave a verdict of guilty before the trial was over," he said, "and she was quick to jump on a law and order issue and to make political capital out of a

disaster. Will she find a way to use the £250 million taxes she collects from the pools for ground safety, and give football the same sort of cash that she gives to ballet, opera, the arts and music and upper-class pastimes?"

Mrs Thatcher: Perhaps it would be better if we waited until we have read the report (Labour protests). Meanwhile, he will be aware of the assurance that we gave during the passage of the Bill that there would be two opportunities for each House in the Government's case was turned to letters, or is that what the previous Leader of the House (Mr John Wakeham) told her, and is that why he got the chop?

Mrs Thatcher: I no more used Mr Foot's assistance than I did when he was Leader of the Opposition and got chop (loud Conservative laughter and cheers).

Mr Michael Foot (Blaenau Gwent, Lab): May I offer the Prime Minister some assistance on the question of the fiasco of the football identity scheme?

Why does she not follow the example she has already set in so many cases of previous fiascos of putting the blame on somebody else?

What about the Leader of the House (Sir Geoffrey Howe)? Should she not ask him why he did not report to her faithfully that on every occasion when this matter was debated in the House the Government's case was turned to letters, or is that what the previous Leader of the House (Mr John Wakeham) told her, and is that why he got the chop?

Mrs Thatcher: I no more used Mr Foot's assistance than I did when he was Leader of the Opposition and got chop (loud Conservative laughter and cheers).

'Stop conspiracy hunt'

The Home Secretary urged Labour MPs at question time to stop hunting for a conspiracy in the Stalker affair. He emphasized that he saw no reason for believing that anything improper had occurred.

Mr Andrew Smith (Oxford East, Lab) said that following the collapse of charges against Mr John Stalker's friend, Mr Kevin Taylor, the Home Secretary should recognize that public accountability and confidence in the rule of law could now only be upheld by a full and independent inquiry into the Stalker affair, both in Greater Manchester and Northern Ireland.

The public sensed that there was something very wrong about the whole business. The truth must out.

Mr David Waddington: Certainly not. He said that allegations were made that resulted in Mr Stalker being sent home on leave and later suspended by the Manchester Police Authority.

In view of the events in

STALKER AFFAIR

Manchester, Mr Stalker was sent home on leave and replaced by Mr John Simpson. The document that Mr Stalker said that he was going to bring to his office had disappeared after that afternoon.

He had no reason to believe that anything improper occurred. It would have been extraordinary after the suspension of Mr Stalker in Manchester, because of the allegations made against him, that he should have remained in charge of the inquiry in Northern Ireland.

Mr Steven Norris (Epping Forest, C) said that it was regrettable that so much public money had been devoted to the prosecution, which had collapsed, regardless of the innocence or otherwise of the accused. But that was something that happened every day in the courts.

Mr Waddington said that part

of the case against Mr Taylor rested on documents disclosed by the Co-operative Bank that were obtained as a result of an order from the Recorder of Manchester. There was some doubt about the police evidence that had been given to obtain that order.

There was no connection whatsoever between those events in Manchester and the withdrawal of Mr Stalker from the inquiry in Northern Ireland. Labour MPs should use their commonsense for a change and stop hunting for a conspiracy.

Mr Barry Sheersman, an Opposition spokesman on home affairs, said they were not talking about a conspiracy, but there was public confusion about what went on in Northern Ireland and Manchester.

Mr Waddington said that it was as plain as a pikestaff. If a police officer who was involved in an inquiry in Northern Ireland was removed from duty in the force in which he served in England he could no longer be in charge of an inquiry in Northern Ireland.

Wapping 'leak' for Attorney General

The Attorney General is considering what impact the leaking of the report into the Wapping disturbance of January 1987 may have on any criminal proceedings. Mr David Waddington, Home Secretary, said at question time.

Raising the question of the disturbance outside the News International plant in east London, Mr Peter Shore (Bethnal Green and Stepney, Lab) said that the three-year delay in bringing charges against those police officers who were accused of violence was appalling.

It was unfair to those accused to have such delays between

charges and court hearings. It was a matter of major grievance to those who had been injured and had brought charges against the police. The whole affair greatly undermined the authority of the Independent Police Complaints Authority.

Mr Waddington said that it was important that people should be brought to trial as quickly as possible. But it was important no mythology surrounded the events. The police had come in for attack... (Labour protests). Over a one-year period 162 police officers had been injured.

Mr Michael Shersby (Ux-

bridge, C), parliamentary adviser to the Police Federation, said the theft of information from Northampton Police about the Wapping incident, and subsequent leaking to the BBC, was an offence under the Police and Criminal Evidence Act.

Mr Waddington said that he understood that the Attorney General was considering the possible impact on criminal proceedings of these media reports. It was for the Attorney General to consider what action, if any, should be taken.

Later, Mr Ronald Leighton (Newham North East, Lab), seeking a debate, said that

Tactical Support Group officers had been out of control at Wapping. There had been a three-year cover-up. The incident showed that the idea of accountability of the Metropolitan Police to the House was a myth. "Senior police officers are not answerable to anybody; senior police officers have power to do what they like - to act outside the law."

Sir Geoffrey Howe, Leader of the House, said that Mr Leighton had not fairly stated the position. The Police Complaints Authority would publish a full summary of the report as soon as possible.

Rule of law invoked on tax

The rule of law was indivisible and to pick and choose which law to obey and which to disobey was anarchy, Mrs Thatcher said at question time when asked about MPs refusing to pay community charges.

Mr Anthony Combs (Wyre Forest, C) said that democratic society depended on total acceptance of the rule of law, and it was unacceptable and very damaging for MPs, irrespective of political opinion, to refuse to pay.

Mrs Thatcher: I agree. The rule of law is indivisible. You cannot pick and choose those you will obey.

Student roll

The Government expects the number of full-time students to rise to 890,000 by the turn of the century, Mr Robert Jackson, Under Secretary of State for Education, said in a written reply to 1988 there were 760,000 full-time equivalent students, he said.

Education

The Government had a majority of 61 on Wednesday night at the end of a debate on education. A Labour motion attacking the divisiveness of Government policies was rejected by 285 votes to 224.

Parliament next week

The main business in the House of Commons next week is expected to be: Monday: Employment Bill, second reading. Tuesday: Debates on Opposition motions on poverty and on the Taylor report on football safety. Wednesday: Debates on Liberal Democrat motions on the EC and Eastern Europe and on small businesses. Thursday: Debate on Commons procedure. Private Bill. Friday: Private Members' Bills: Interest on Debts Bill and Road Traffic (Temporary Restrictions) Bill, second readings. House of Lords

Monday: Courts and Legal Services Bill, committee, fourth day. Tuesday: Law Reform (Miscellaneous Provisions) (Scotland) Bill, second reading. Debate on the greenhouse effect. Wednesday: Debate on education and training. Thursday: Courts and Legal Services Bill, committee, fifth day.

Parliament today

Commons (9.30): Private Member's Bill: Consumer Guarantees Bill, second reading.

Correction

In yesterday's report of the Commons education debate Mr George Walden should have been quoted as saying that he shared others' misgivings over the fact that the number of people gaining top passes in the GCSE had increased by half in two years. He had recently seen evidence that the A-level was also being debated.

Popular democracy demand 'must be met'

The following report of Wednesday's debate in the Lords on Hong Kong appeared in later editions yesterday. There was a danger that the people of Hong Kong would be seized complete independence now, just as parts of the Soviet Union were, Lord Wyatt of Westford (Ind) told peers.

He said that Britain was out of date in trying to suppress the popular demand for democracy in Hong Kong. Where would Britain be if Chinese troops came in before 1997 to assert China's despotism? The Government should go for broke and ask for 100 per cent majority, 46, to vote to the legislative council by 1991.

Lord Trefgarne, for the Government, said that confidence within the colony could not be rebuilt overnight. "We do not underestimate the difficulties. But I give a firm assurance that Britain will defend and promote Hong Kong's interest in any way that we can."

Lord Bonham-Carter (Lib Dem), initiating the debate, said that the Government must adopt a policy that increased confidence of the people of Hong Kong, encouraged them to stay, and helped to reduce the hemorrhage of immigration, running at 1,000 a week.

The Government should mobilize its friends in the European Community, the Commonwealth and United States to collaborate in providing a place of abode, in the event of the worst possible case, for the British citizens of Hong Kong. Lord Wyatt said that if the Chinese were looking really nasty as 1997 approached, warm-hearted British people would be willing for numbers to be increased.

The Government should be admired for its courage in taking on a section of its party that had forgotten the pride with which

HONG KONG

the old Conservative Party had honoured its obligations to protect the citizens of the once great and benevolent British Empire.

Mr Norman Tebbit and his friends had a blind spot. They could not distinguish between immigrants from British Empire countries that sought and got their independence, and those in Hong Kong, who were being handed over to a Ceausescu-type communist regime.

Lord Sharp of Grimsby, in a speech, said that he was chairman and chief executive of Cable & Wireless, which owned 73 per cent of Hong Kong Telecom, the biggest employer in the colony with 18,000 staff. The passport package had been criticized as divisive. But Hong Kong people were not jealous of their neighbours. Rather, they would try to emu-

late others' success. Their disappointment was that the measure was only applying to 50,000 heads of households.

Lord Geddes (C) said that some of the opposition to the passport package smacked of racism. It was based on the moral and immoral excuse that it was a vote loser.

Lord Brannell (Ind) said that Britain's task was to support in every possible way the true interests of the people of Hong Kong because its responsibilities did not end when Hong Kong had been piloted into Chinese sovereignty.

Lady Seear, Deputy Leader of Liberal Democrats in the Lords, said that if China knew that Hong Kong people had nowhere to go, it could "grind them down" in negotiations. The Government had to far adopted a miserable, guarded, nervous attitude to letting Hong Kong people come to Britain.

Lord Cledwyn of Penrhos,

Leader of the Labour peers, wondered what had become of the Bill of Rights which Sir Geoffrey Howe, then Foreign Secretary, had spoken of for Hong Kong people.

The United States Government had far more responsibility for Vietnam than had the British Government, but Britain had been left to cope with the boat people.

The Government's proposals had some flaws. For example, a points system would be difficult to operate. A fair system which did not discriminate in favour of the "top bracket" was essential.

Lord Trefgarne said that Hong Kong could not be expected to cope indefinitely with an endless stream of immigrants from Vietnam.

There was no question of appeasing China over Hong Kong. "We negotiate firmly and tenaciously in the best interests of Hong Kong."

Conservative MP wants 'flawed' charge scrapped

VAT 'could replace poll tax'

By Philip Webster
Chief Political Correspondent

With the ink barely dry on the community-charge legislation, a senior Conservative MP has produced his own plans to replace the domestic rating system with an extra charge on value-added tax.

Mr Ralph Howell, MP for North Norfolk, told Mr Christopher Patten, Secretary of State for the Environment, during last week's debate on the poll-tax orders that the whole new system was flawed and should be scrapped.

Mr Howell believes that it can be done simply by adding a new 6 per cent VAT to the existing 15 per cent charge. In that way, he would bring all local government expenditure firmly under the control of central government. He calls his plan the



Mr Ralph Howell: Fairness a virtue of his scheme. community tax. A person with an annual income of £20,000, with estimated tax and savings of £7,000 and spending on VAT-free goods and services of £7,000, would have a balance of £7,000, would have a balance of

£6,000 to which the new 6 per cent VAT charge could be applied, producing £360.

A person with an income of £10,000, with estimated tax and savings of £3,000, estimated spending on VAT-free goods and services of £4,000 would have a balance of £3,000 to which the new charge would apply, producing £180.

Mr Howell said that the community charge would be a further disincentive to work and deepen the unemployment trap. Many people in areas controlled by irresponsible local authorities would be virtually exempt.

He added that the virtue of his scheme was that everyone would pay according to their means. The community charge would cost £435 million to operate in 1990 and require 14,300 extra staff. The VAT-supplement system would need no extra staff at all.

By-election test for Labour

By Nicholas Wood
Political Correspondent

Labour's first opportunity this year to translate its comfortable lead in the polls into real votes is likely to come a few days before the Budget in the predominantly rural constituency of Mid-Suffolk in the West Midlands.

The seat fell vacant after the suicide of Mr John Heddle before Christmas. A by-election in which the Conservatives will be defending a 14,600 majority is now widely expected to be called for mid-March.

The Opposition, which selects its candidate tomorrow night, needs a 13 per cent swing to unseat the Tories, a feasible goal in the fevered politics of a mid-term election.

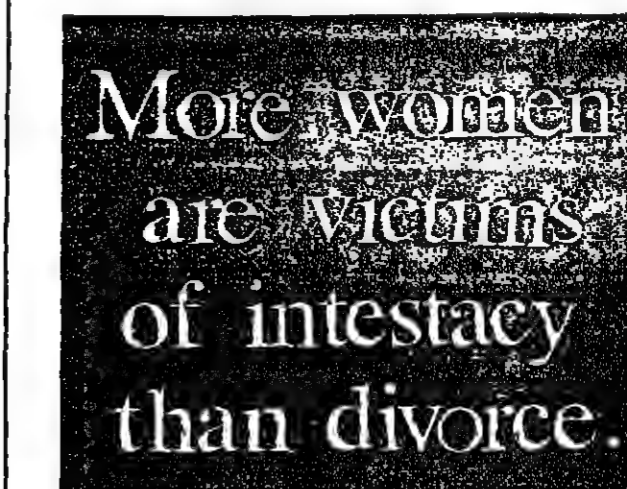
Given that so much is at stake - for Labour even more than Tories - it is perhaps surprising that the Opposition is not going for a national figure as its standard-bearer.

Mr Crispin St Hill, a 56-year-old, black race-relations adviser, fought the seat Labour at the general election, and a few eyebrows will be raised if he does not beat his four shortlisted rivals for a second tilt at the crown.

The local Conservatives have been inundated with applications from as many as 200 hopefuls, who are said to include the anti-CND campaigner Lady Olga Maitland, a casualty of a bruising internal party scrap at Havant and a newspaper gossip columnist.

The Tories are characteristically playing their cards close to their chests, but they are pouring cold water on Labour hopes that Mr Jeffrey Archer is about to come out of well-heeled retirement. Their candidate should be chosen early in February.

General election: John Heddle (Con) 28,644; Crispin St Hill (Lab) 13,990; Tim Jones (Lib/All) 13,114; J G Bazeley (Ind Con) 836, Con maj 14,634.



A woman, on average, lives longer than a man. So she is more likely to face the horrors of intestacy - the legal term for being left in a mess because her husband didn't make a will.

Many men assume that all they own will automatically go to their wives. This isn't so. When a man dies intestate, not just his wife but brothers, sisters and even cousins may have a claim on what he owned.

His widow may have to sell the house to pay off his relations.

None of this need happen if he makes a will. Yet seven out of ten people fail to take this simple step.

Now, as a service to the public, WWF United Kingdom has produced its own plain language guide to making a will. It explains:

- why everyone needs to make a will
- how to go about it
- how to minimise tax liability on what you leave behind

Don't leave it to chance. Give yourself the peace of mind of knowing your loved ones are properly provided for.

To request your free copy of the booklet now, clip the coupon below. Or phone Sally Burrows on Guildford (0483) 426445 today.

YES, send me a FREE copy of your guide to wills and will-making. KEEP IT IN THE FAMILY. (Block Capitals Please)

Mr/Mrs/Ms/Ms
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Post this coupon now to: Sally Burrows, Legacy Officer, WWF United Kingdom, FREEPOST, Panda House, Godalming, Surrey GU7 1BR. Freepost, means no stamp is needed.



The life and times of Donald F

The announcement that Moscow claims to have sentenced to death a top American spy has put espionage back in the headlines. Michael Evans asks: were Top Hat, Donald F and a KGB general the same double agent?

It would be impossible to write an accurate biography of Lt-Gen Dmitri Fedorovich Polyakov. Even if all the intelligence files buried in secret archives — East and West — could be studied by an unbiased historian, the truth about this man could never be told. Was he, or was he not, a double agent? Is he alive, or has he been executed?

Polyakov is, or was, Top Hat. This was the code name given to the Soviet diplomat who contacted the FBI in 1961 when he was working undercover as a military intelligence spy at the Soviet Union's United Nations mission in New York, and offered his services.

He was what is called in the intelligence world a "walk-in". At the time, the FBI's book of code names for Soviet agents included various sorts of headgear. So Polyakov was called Top Hat. Not long before, another Russian had volunteered to be an agent "in place", working for the FBI. He had been codenamed Fedora. They were like names from a Gilbert and Sullivan opera.

It was during a period known as "the war of the defectors" because top grade Russians from both the KGB and the GRU, the military intelligence service, were coming out of the woodwork all over the place to work for the West. To this day no one is sure whether they were genuine or whether they were highly skilled plants, sent to the West to sow seeds of doubt about Soviet nuclear missile capabilities. One who caused greatest doubts within the intelligence community is still living in the United States.

The story of Top Hat is now being re-examined because of last week's report in *Pravda*, the Soviet Communist Party newspaper, that "one of the main agents of the US special services", referred to as Donald F, had been caught by the KGB and sentenced to death for passing military secrets to the US for 30 years. There was no confirmation that the sentence had been carried out. Intelligence sources in Washington confirmed that Donald F was Dmitri Polyakov. But had he really been executed, or was this all some devious KGB plot?

The *Pravda* story and the reactions from different intelligence circles in the West have proved again an eternal truth. It is not possible to be absolutely certain in the spying business who is lying. In particular, agents who immerse themselves in double dealing, working for both sides at once, dish out genuine information here and false leads there, lose all sense of normal values. They trust only themselves, yet they forget who they are or who they were because the world they construct

around them is based only on deception, lies and cunning. Top Hat was a genuine agent for the West, at least for some of the time, because he provided information that uncovered a Soviet spy.

In his early days as an agent for the FBI, he produced photocopies of documents from Britain's Ministry of Supply, of the highest security grading and concerning American guided weapons systems, which had come into Soviet hands.

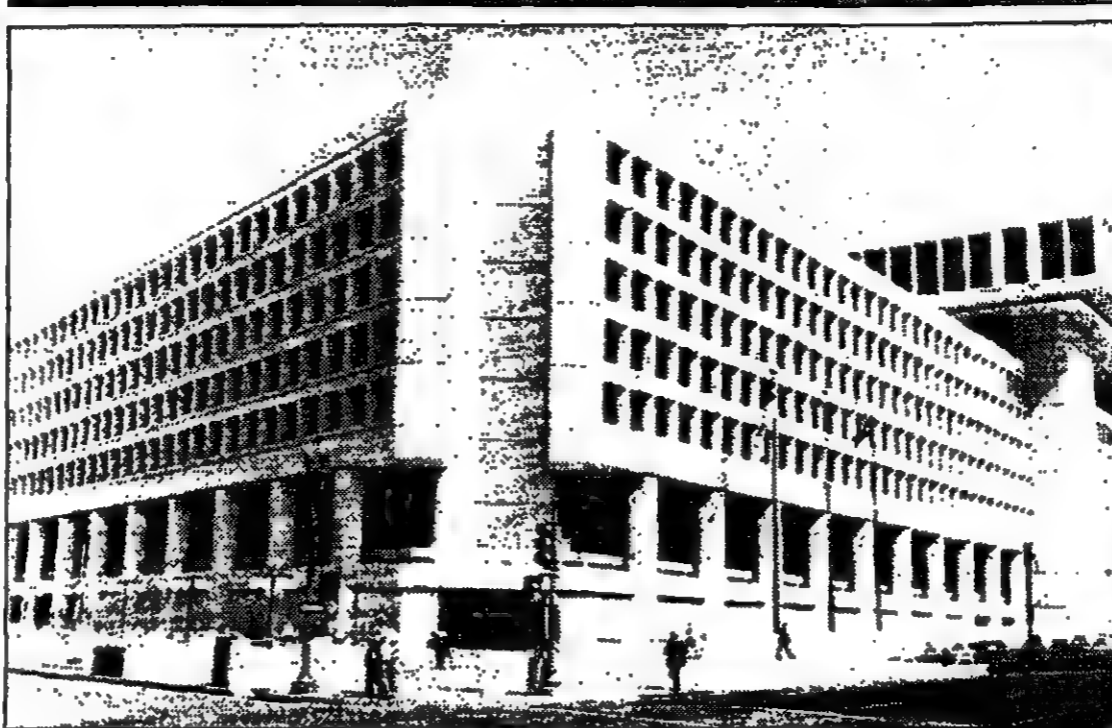
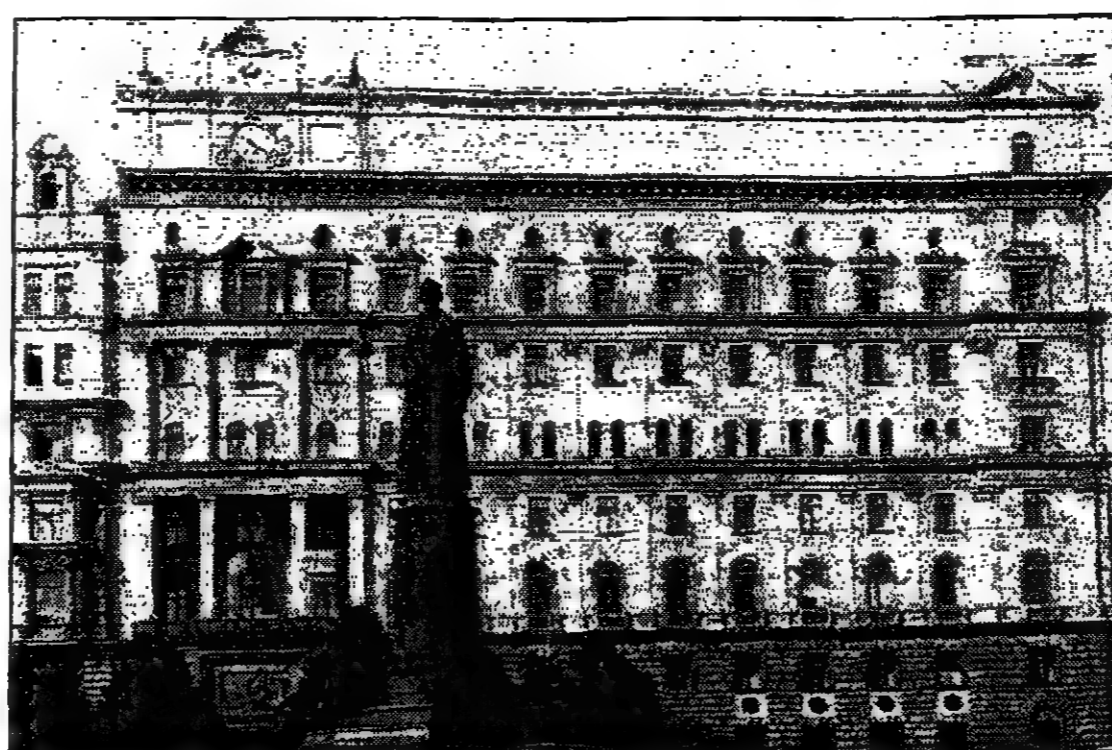
There were several suspects. One of those put under surveillance was Frank Bossard, an officer in the missile guidance branch of the Aviation Ministry. According to Peter Wright, the CIA-MIS officer, in his book *Spycatcher*, Bossard was seen on a number of occasions, during his lunch hour, going to the left luggage office at Waterloo Station to pick up a suitcase. He would then go to an hotel in Bloomsbury and about an hour later return to Waterloo, placing the suitcase back in the left luggage office. When he was arrested, MIS found special cameras for photographing documents. Bossard admitted he had been photographing top secret documents and on May 10, 1965, he was sentenced to 21 years in prison.

But the exposure of Bossard was no guarantee that Polyakov could be trusted. He may have sacrificed Bossard, under orders from Moscow, just to try and establish his bona fides with the West. At first the FBI believed in Top Hat, although there were serious doubts later. However, the legendary director, J. Edgar Hoover, never lost faith in either him or Fedora.

Fedora had claimed to be an officer of the KGB's First Chief Directorate who was disaffected with the Soviet Union and offered to supply the FBI with secret information on Soviet missile capability and nuclear development plans. It has been claimed that Fedora was Victor Lessiovski, who retired as a Soviet diplomat in 1981 and went back to the Soviet Union to live. However, intelligence sources in Washington this week denied that Fedora was Lessiovski — which only goes to prove the point about the confused world of espionage.

According to Pentagon records, Polyakov last served as a lieutenant-general in the Soviet Army Air Defence Command, which is responsible for defending the Soviet Union against nuclear attack.

But just to underline that double agents look like normal folk, the *Pravda* report said of Donald F: "He might have been the fellow next door to you on the subway or in the line for the cinema, as ordinary a Russian as you might



IN THE WORLD OF SHADOWS



Where espionage is planned, and the men who execute it: top left, the KGB headquarters in Moscow, left, the FBI building in Washington. Clockwise, from top left: FBI chief J. Edgar Hoover, CIA director William Casey, KGB chief Vladimir Kryuchkov, former agent Peter Wright, spy Frank Bossard and CIA spy James Angleton

'They trust only themselves, yet they forget who they are or were in a world of deception, lies and cunning'

find in the Soviet capital." The *Pravda* account provided some facts about Donald F which certainly pointed to him being Polyakov.

Diplomatic records show that Polyakov served in the Soviet mission to the United Nations in New York in 1956 and again from 1959 to 1962, when he was promoted to the rank of colonel.

After a stint in Moscow, he was posted in 1966 to the Soviet embassy in Burma, where he was the military attaché. In the early 1970s, he moved to the Soviet embassy in New Delhi and returned for a second tour in 1980, with the rank of major-general, before returning again to Moscow where he was promoted to lieutenant-general.

Pravda reported that he first approached the FBI in November 1961 and later met American agents several times at the "Kameron Hotel", apparently a

reference to the old Cameron Hotel on West 86th Street in New York's Manhattan. The CIA, which assumed control of him in Burma, later communicated through personal ads in the classified advertising section of *The New York Times*.

The advertisements were all addressed to "MOODY-Donald F". Such an ad appeared on 10 consecutive days in May 1964. American officials of that era said Polyakov seemed invaluable, providing names of Soviet spies, details of GRU operations and political information on the government in Moscow.

Some officials in Washington, who no doubt want to cast doubt on the *Pravda* report, insist that Top Hat died several years ago. Intelligence experts who still believe Polyakov was a genuine

double agent say he was swept up in Moscow and executed in a wave of arrests of American agents in the mid-1980s, shortly after a series of security lapses rocked the CIA's Moscow station.

"A couple of years ago, for reasons that aren't clear to us, the Russians got a bunch of our guys and killed them," a former official said. "The consensus of the intelligence community is that he was one of them."

The *Pravda* article probably said more about the KGB and its present status in Soviet society, than about Polyakov. If he was a genuine double agent, working secretly for the Americans, his exposure in the Soviet Press would not only help to boost the KGB's image as the defender of the motherland but would also be a way of reminding the public that the West was still in the espionage game.

In the past year, the KGB chief,

Vladimir Kryuchkov, has waged a public relations campaign to "normalize" the image of the Soviet secret services. The weekly newspaper *Argumenty i Fakty* often prints a column called "The KGB Announces..." that describes various " dangers to national security". The announcement of Donald F's death sentence would serve as a particular warning to other Soviet intelligence officers who might be tempted to follow a similar career.

If, on the other hand, Polyakov was a Soviet secret plant, then perhaps he has died of natural causes and, as an act of mischief, the KGB has kept up the pretence that he was a genuine traitor.

From time to time, the CIA goes over the files of Soviet agents to double-check their veracity. But Polyakov has never been conclusively identified as a plant — even though the CIA's spymaster of the 1960s, James Jesus Angleton,

believed early on that both Top Hat and Fedora were fakes.

Angleton believed their mission was to discredit evidence provided by a Soviet defector, Anatoli Golitsin, that a Soviet spy had penetrated the CIA at the highest levels. Angleton, whose inquiries caused such turmoil that he was dismissed from the CIA, never found his man and is now dead. But the debate over Top Hat and Fedora did not end with his death. His successors conducted a review that appeared to clear Top Hat, but concluded that Fedora was, in fact, a double agent for the KGB.

In the early Eighties, President Reagan's CIA Director, William Casey, held his own inquiry into Top Hat. It concluded that "the charge of being a plant could not be substantiated". Today, the question of the real loyalties of Top Hat/Polyakov/Donald F is back in the headlines — and as mysterious as ever.

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Secrets of cracking The Times Crossword

Next week, we will be publishing a Diamond Jubilee Crossword to mark the sixtieth birthday of The Times Crossword. Today, John Grant offers some helpful clues for beginners

The staple type of clue in a cryptic crossword is the **build-up**, in which the answer is broken down into component parts — smaller words and abbreviations. These are then clued individually, and may be reassembled in a different order. They are intended to create a misleading mental picture in the solver's mind, to distract him or her from the true definition, which is always given somewhere in the clue. Eg. "Warning sound and light in trees" = HORNBEAM.

Other types of clue include: **Anagrams**: in which the letters of the word are jumbled to make another word or words. The early cryptic puzzles used to indicate the presence of an anagram by putting (anag.) after the jumbled word or phrase. Modern indicators are more sophisticated, being words that indicate novelty, strangeness, change, deterioration, or movement, such as new, bizarre, alter, going off, and diversion.

Two meanings: this type of clue exploits the flexibility of the English language, where a single word may have several meanings. The aim of the compiler here is to puzzle the solver by offering two contrasting, even contradictory, meanings of the same word. Eg. "Not enough butter? What a predicament" = SCRAPE.

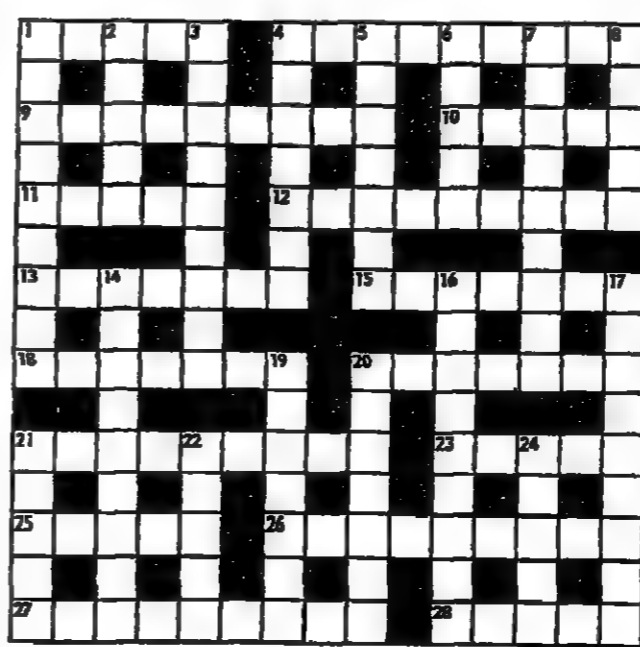
Hidden: the answer is hidden by being submerged in the clue, which also contains its definition. Hidden clues are indicated by such words as "in" or "part" or "some", as in "Some hurricane winds again" = ANEW.

Cryptic clues: here the compiler tries to describe the answer in a misleading way. The clue "Handled glasses (10)", for example, may conjure up a picture of a barmaid handling tankards, whereas in fact it refers to glasses which have handles — LORNETTES.

Homophones: many words with different spellings or meanings are pronounced the same. Their use in cryptics is indicated by phrases such as "we hear", "they say", or "by the sound of it", as in "Bad driver had piggy back ride, we hear" = ROAD (Rode).

Abbreviations are likely to appear in any type of clue. They range from the obvious Re and Circa for concerning or about, (For)te loud, and ie, that is, to the less familiar like Au, the chemical symbol for gold, OS for outside, and Ky for Kentucky. When confronted by a short but inexplicable word, the solver's best recourse is to the dictionary.

It is impossible to enumerate here all the devices of the compiler, but the annotated crossword below, which appeared in *The Times* last year, may help to show how they work in practice.



ACROSS

- 1 Monarchical right a sovereign retains for example (5)
- 4 Manager shedding quiet tear about team (9)
- 9 Party seen, nice though ill-organized, in control (9)
- 10 Many break — it's the general tendency (5)
- 11 Seeing listening equipment in back-seat, rural (5)
- 12 Individual make-up (9)
- 13 The current turbulence surfaced one in three trouble (7)
- 15 Type of man to put a skirt in a carrier (7)
- 18 Main plant source of alginates (7)
- 20 Direct speech (7)
- 21 "A snapper-up of unaccommodated trifles" (9)
- 23 A 12 some await cheerfully enough (5)
- 25 Man after a kiss? That requires no explanation! (5)
- 26 Animals filled up with meat he brought (9)
- 27 Speak of underworld chase (9)
- 28 Oliver's house (5)

DOWN

- 1 A left gets going when snugglers appear! (9)
- 2 Letter to a Greek — notes about a 21 dn (5)
- 3 Lads led in stupid fashion can make a slip, naturally (9)
- 4 Minor deity bantering for flamboyance (7)
- 5 Bearing trees? Humbug? (3-4)
- 6 Give assistance to rising following in the land (5)
- 7 Sixteen maybe involved with Church life (9)
- 8 Expression of disapproval over introduction of alternative coach (5)
- 14 Fruit worker in the fls lands (9)
- 16 In years gone by, evil made a change (9)
- 17 A former copper is leading the attack but is left off (9)
- 19 A game to settle the issue of French drink (7)
- 20 Get a blockhead to find the answer — clear? (7)
- 22 Gift for a protégé (5)
- 23 The dance where people avoid the bar (5)
- 24 It turns colour when exhausted (5)

ACROSS

- 1 REGAL is the definition of monarchial; R(ight) + A(L) (pound or sovereign) retains, or keeps inside, EG (for example)
- 4 Manager = PRESIDENT; P(iano) = quiet + RENT (year) about, or around, SIDE (team)
- 9 DO (a party) plus anagram (indicated by "ill-organized") of MAN NICE = DOMINANCE or control
- 10 D (many) — Roman numeral for 500/RIFT (break) = DRIFT or tendency
- 11 One sees EAR, or listening equipment, in TS, or ST(reet) reversed = TEARS, or runs fast
- 12 An almost straight clue, the make-up of an individual being his CHARACTER
- 13 RIDE (using DIRE, indicator "trouble") round PT (exercises — physical training) + I (one) = RIPTIDE, or turbulent current
- 15 MINI (skirt) in HOD, or carrier, = HOMINID, or MAN
- 18 Alginates are salts from SEAWEED, a plant found in the main, or ocean (eg, the Spanish Main)
- 20 Two meanings: as a verb, ADDRESS means to direct, and as a noun it means a speech
- 21 A quotation from Shakespeare's *A Winter's Tale* — AUTOLYCUS's description of himself
- 23 12 ac is a character, or letter, defining ATICH, which is hidden (indicated by "some") in "await cheerfully enough"
- 25 MAN (Isle of Man) = IOM after, or following, A X(kiss) = AXIOM, which is a self-explanatory statement
- 26 DEER (animals) filled up with — ie, having inside — LIVER or meat = DELIVERER, one who brings
- 27 Speak, or DISCOURSE, of DIS (Pluto, Roman god of the underworld)/COURSE (to chase)
- 28 Two meanings — Sir Oliver LODGE, English physicist, (1851-1940), and house

On Monday John Grant, the Crossword Editor of *The Times*, introduces some puzzling men and the five-part Diamond Jubilee Crossword. There are 12 prizes to be won, for the winner £1,000 and a holiday in India.

كلنا من الاصل

FRIDAY PAGE

'My concern is that we do not compromise the nation's security and sacrifice lives by pretending men and women are the same'

I almost missed the point at first. I was watching the 11.30pm American news on satellite television reporting the case of the two women soldiers in the Panamanian invasion. When the story broke it was rather endearing, I thought. The women in question were driving trucks which came under fire and, like any decent females, they worried about the safety of their colleagues. Newspaper accounts said that the women were in tears as they refused to drive further into Panama City, arguing, very sensibly, that such an action would endanger the men's lives.

There was an almighty fuss at first. Under American law (as in the UK) women are not allowed to be used in combat. Didn't this illustrate, argued some, that as long as there are women in the forces there is no way to avoid having them drawn into combat, short of confining them to barracks? On the other hand, didn't their behaviour reinforce a number of misgivings about female soldiers? What could this mean for the British plan, favoured by Archie Hamilton, Minister of State for the Armed Forces, to have mixed crews in the Royal Navy where distinctions between

combat and non-combat roles are virtually non-existent? Well, it turned out we had the story all wrong. According to the NBC nightly news, the army investigated the case and discovered that the reason the women stopped driving their trucks wasn't because they were afraid. No, it was because they were tired. They were driving under fire and doing it quite heroically until they became too tired and stopped. This was reported with a perfectly straight face and a sense of relief, as if the issue was settled. I blinked a couple of times and waited for the other shoe to drop.



BARBARA AMIEL

the need to prove that one can do beach press. But mine is the archetypal feminine response. It should not disqualify another sort of highly commendable woman from adopting a full military service role, including combat duty and serving in the front lines if she wishes.

There are differences and they do matter, up to a point. Young men and women, which soldiers most often are, do not stop being young men and women simply by virtue of being inducted into the military. The intermingling of the sexes can create extraordinary discipline problems and an extra area of conflict which the military can ill afford. The Americans, who have almost fully integrated their armed forces, are tackling this problem in their own unique way. Maternity benefits are available for the 7 per cent to 17 per cent of female soldiers estimated to be pregnant at any one time — they are exempt from parades or ceremonies, may not be exposed to harmful chemicals or gases, must

not receive routine immunizations, must not be assigned to remote installations where there are limited medical facilities, and must have frequent rest periods. It is so difficult to find out the truth about integration in other countries. Official talk can hide many problems. The Americans, for example, have tried to make it all sound better by a statistical sleight-of-hand. By counting men who pay child support as single fathers, they can claim that there are as many single fathers as single mothers in the American army. The problem with this, of course, is that it is the women who have custody of the children. Other problems include the additional expense involved in having large numbers of women in the army who are simply not able to perform the majority of heavy lifting tasks that the military forces still require.

Even after intensive physical training, two-thirds of female aircraft mechanics in the American forces could not perform such required tasks as changing aircraft tyres and brakes, removing batteries and crew seats, closing drag chute doors, breaking the torque on bolts and lifting heavy stands. Equipment, including the design of jet fighters, may have to be modified for use by women. There are solutions to these old problems. Tsar Nicholas II created a women's battalion as, I believe, did Colonel Gadafi. There is no reason why the army couldn't have women-only combat units, thus reducing pregnancy and discipline problems. Modification of equipment might well be worth the price for good capable female soldiers. My single concern is that we do not compromise the security of the nation and sacrifice the lives of women by pretending that men and women are the same.

Close to the bone

Who will get osteoporosis — and when is the right time to take preventative steps? Wendy Cooper explains how to lessen your risk, and looks at the benefits of hormone replacement therapy



Stretch factor: exercise is just as important in strengthening bones as it is in tuning muscles for early preventative measures

The Office of Health Economics this week vented its concern at the rising cost of treating hip fractures in older women. In a special report, "Osteoporosis and the Risk of Fracture", it estimated that the cost will reach £478 million a year within 20 years unless osteoporosis is checked. The cost of treating the consequences of osteoporosis is now around £600 million a year.

Severe osteoporosis is not only painful, it can be crippling and life-threatening. Fifty per cent of women who fracture their hips are never again able to lead independent lives, and 6,000 of them die prematurely each year as a result of the complications that follow immobilization. Medical literature has left

no doubt that HRT protects against osteoporosis and fractures — the latest studies show it is able to reduce hip fractures by half. This week's OHE report and last year's report by the Royal College of Physicians on hip fractures both made it clear that consensus medical opinion now accepts that the benefits of HRT far outweigh any risks.

So why are many doctors still dithering about prescribing HRT? Although Britain leads the world in HRT technology, it does not in prescribing practice. It is recognized that 80 per cent of women would benefit from replacement therapy, yet only 8 per cent

receive it. That figure must rise rapidly if osteoporosis is to be controlled and NHS facilities not overwhelmed. The suggestion made by the OHE report is to identify the 25 per cent of women at high risk who urgently need HRT and make sure that they get it. It estimated that, had this been done in 1985, there would have been a net saving to the NHS of £33 million.

New and sophisticated machines are becoming available in leading hospitals which can register bone loss very early and also measure bone density in the areas most vulnerable to osteoporosis. By scanning again at intervals they can also determine the rate of bone loss — an important factor.

On average, most women after the menopause lose between 2 and 3 per cent of bone a year. In some women, however, the rate can be as high as 5 per cent. So 10 years into the menopause most women will have lost 30 per cent of bone, and the unlucky fast bone losers will have lost 50 per cent. In both cases they will be near or over what is called the "fracture threshold". At the moment these new techniques are available only in specialist centres, and methods such as dual photon absorptiometry and CAT scanning are expensive. In the end, it may be better to predict individual risk of osteoporosis on the strength of

known risk factors. A predisposition towards osteoporosis can be inherited. A bit of detective work to find out how other women in your family have fared in regard to osteoporosis, particularly your mother, grandmothers, sisters and aunts, would be worthwhile. If any of them suffered from brittle bone problems showing up as fractures, or loss of height with age, then you should accept that you come from a high risk family and inform your GP at the right time so that HRT can be prescribed. Body build, whether you have inherited light or heavy bones and, more crucially, whether you are thin or fat, can be a determining factor in

Hands on the world

A world of opportunity is opening up to those who want to take "hands-on" action to save it — thanks to an initiative involving the British Trust for Conservation Volunteers, which has already set up hundreds of projects across the UK. Now it is helping to

establish a network to involve people across Europe in conservation projects such as preserving the loggerhead turtle, protecting the territory of the Griffin vulture, or rebuilding crumbling bridges of architectural interest. The International Conservation Network (the European Commission's thrust towards a greener Europe) will enable people who become involved to be trained in practical en-

vironmental skills, receive information on opportunities to help across the Continent, and to work and socialize with people from different cultures. For details, contact the International Development Unit, BTCV, 36 St Mary's Street, Wallingford, Oxfordshire OX10 0EU.

ECOSPHERE

News on environmental issues

the successful *Green Guide to England*, published last year, guidebooks to those two countries have been compiled to enable the ecologically-minded traveller to find organic produce, craft centres, nature reserves, ecological festivals, wholefood restaurants, farms and so on. John Button's *Green Guide to Scotland* (£4.99), and Mary D. Davis's *Green Guide to France* (£5.99) are available from good bookshops.

Green gloss

American magazine lovers may not yet have begun cancelling their subscriptions in order to save the world's trees, but at least they can stop worrying that distribution of the glossy journals is adding to the world's plastic mountain. The *New Yorker* is the latest to abandon plastic bags for mail subscriptions (following an initiative by liberal-minded *Mother Jones* magazine), returning to biodegradable

paper envelopes for the latest issue. Will British publishers follow suit? At present plastic dominates, but Condé Nast (publishers of *Vogue*) is reviewing this in the light of green consumer awareness. So is the National Magazine Company, which dispatches *She*, *Harpers & Queen* and *Cosmopolitan*. "We're experimenting with biodegradable plastics right now," says Yvonne Milot, the company's subscriptions director.

Ring-pull push

"The Rise of the Ring-Pull" is a campaign to encourage awareness of the perils of can-tops. Discarded, ring-pulls are not only unsightly, but can prove a hazard to babies, young children and animals. They are banned in the United States and many European countries, in favour of mechanisms which remain attached to the can. Simon Hollis and Geoffrey Potter, the campaign organizers, want British consumers to lobby the Government and canned beverage manufacturers to ban the ring-pulls. For details, contact 23 Sloane Court West, London SW3 4TD.

Josephine Fairley

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A tribe's tribulations

Drawn by gold, a vast army of prospectors is bringing death and disease to the Yanomami tribe of the Amazon — and law enforcers seem unable, or unwilling, to take action. Geoffrey Matthews's report from the forests appears in *The Times* tomorrow.

THE TIMES

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TIMES DIARY

NIGEL WILLIAMSON

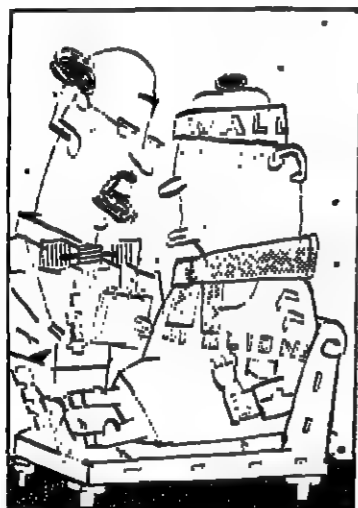
Neil Kinnock has become a company director, the new register of MPs' interests due to be published next month reveals. The Labour leader, who owns a cottage in Pontllanfraith in his Islwyn constituency in South Wales, is leading a campaign among local people against the plans of a company to start a stone quarry, and he is now the unpaid director of Residents Opposed to C'Londd Quarry Ltd. A spokesman for the Labour leader told me yesterday that the quarry was being opposed by residents on the grounds that it would bring few jobs and spoil a beautiful area. Planning permission has been refused by the local council, but the company, Merriman, is appealing to the Welsh Office. Kinnock's company has been set up to raise money for professional fees at the appeal. Kinnock recently presented the first share certificates to a lady of 85 and a baby of six months. Before anyone gets the wrong idea, his office assures me that, far from being a "Nimby" issue, it is a matter of "very serious environmental concern".

Time was when Labour MPs used to show their contempt for convention with jokes in *Who's Who* ("education: school of life", that sort of thing). It now seems that the register of MPs' interests has become the place to display one's anti-establishment wit. Take Alan Meale, the Labour MP for Mansfield, whose entry in the latest edition reads: "Parliamentary spokesperson and consultant unpaid to the Stand By Me Club, an organisation devoted to the promotion of the song *Stand By Me*, especially the recorded versions by Ben E. King and Kenny Lynch." I suppose it might prove a useful theme tune, come reselection time.

● The Foreign Secretary, Douglas Hurd, has very particular views about English. A memo currently circulating to mandarins in the Foreign Office asks them not to write "appropriate" when they mean "suitable". Inappropriate usage, one might almost say. Or do I mean unsuitable?

A Ronweiler had a narrow escape yesterday when it bit the combative Tory backbencher Anthony Beaumont-Dark in a London park. The dog was enjoying an innocent stroll through Westminster's Embankment Gardens when it was provoked by the sight of the outspoken MP and forced to sink its teeth into Beaumont-Dark's left thigh. It could have been worse: Beaumont-Dark has a metal hip-joint which, fortunately for the poor brute, it missed. Labour MPs, who have been similarly provoked by Beaumont-Dark, were last night said to be preparing a get well card — and alleged to be unsure whether to send it to limping MP or dog.

BARRY FANTONI



Two jokes going the rounds of the Westminster tea-rooms in the wake of the Government's abandonment of the ID card scheme: which MP will be bold enough to suggest to Mrs Thatcher that Lord Justice Taylor should now be asked to conduct an inquiry into the poll tax; and is there any truth in the rumour that John Stalker is about to be appointed to mount an investigation into Manchester United's alleged shoot-to-miss policy?

The much troubled left-wing weekly, *New Statesman and Society*, may finally have found a buyer. After flirtations with such potential bidders as the Australian businessman Robert Holmes à Court and *The Guardian*, I learn that Clive Hollick, chief executive of MAI and one of the leading Labour sympathisers in the City, hopes to buy the title. I also learn that he has had informal talks with senior Labour figures who are keen on the bid, under Hollick's proprietorship the magazine, which these days has not one good word to say about Neil Kinnock, would return to the Labour mainstream. That could mean curtains for the editor Stuart Weir, who has crossed Kinnock before. As editor of the official Labour Party magazine, *New Socialist*, immediately before the last general election Weir advised Labour members in unwinnable constituencies to vote for the Alliance.

I may be all right. I may get away with it. What I have done is, I have put Little Black Sambo in the armoured personnel carrier and I have wrapped 8ft of blue cord carpet round it and I have put the whole thing in the space where the bathroom cabinet with the duff door was before I took it out and shoved it into the cavity formerly occupied by my late father-in-law's old Ferguson. What I have done with is not giving the impression that I have brought my children up as war-mongering racists, and I shall be able to do that provided someone is not after 8ft of blue cord carpet. If they grab the blue cord carpet, Little Black Sambo and the Action Man armoured personnel carrier will fall out. It will not be quite so bad if they are after 12ft of old gold Axminster; if they are after 12ft of old gold Axminster, the only thing that will fall out

The Hungarian government is in trouble. Miklós Nemeth, the prime minister, has announced that he will stand as an independent in the forthcoming general election and not as the candidate of the Hungarian Socialist Party, the successor to the Communist party. Earlier this week the Minister of the Interior resigned in the "Dunagat" phone-tapping scandal, which has severely sapped the government's authority. Both events are symptomatic of an administration that seems to be crumbling.

The core of the problem is that the Communist party has disappeared and with it the *nomenklatura* system of control. The Soviet-type system has ceased to exist, but nothing has emerged to replace it. Old forms, old procedures and old structures have survived to lead curious half-lives.

This government, for example, used to be a dependency of the Communist party, but now acts autonomously of any political party. The Hungarian Socialist Party is too demoralised and too weak to take tough decisions, even though the economic crisis clearly dictates such a course. A further complication is that the government knows that it will disappear completely after

the March 25 general election. Parliament is also weak. Its members were mostly elected in 1985 and the membership reflects the political conditions of that time. The deputies elected in the past 12 months are so few in number that they do not affect this equation. Most of the deputies anyway know that they will be out of politics after March, which gives their debates an unreal quality.

The opposition parties — the Hungarian Democratic Forum and the Free Democrats are the two most important — operate in a rather rarified atmosphere and have made limited progress in making connection with the potential electorate.

Furthermore, the fact that the Soviet-type system decayed from within and was replaced peacefully ensured that there was only limited popular participation in the changes. In effect, the elitism of communist rule has been broadened to include non-communist members of the elite. Having no set of institutions

with which to identify and through which to express its aspirations, the general population is experiencing simultaneously both rising tension and apathy. Besides, the easy disappearance of the communists not only robbed the population of any sense of achievement in bringing about change, it also deprived them of a safety valve through which the accumulated humiliations suffered under communist rule could be vented. In the absence of universally accepted legitimate institutions, the chances are high that popular frustrations, as unemployment, inflation and a general drop in living standards make themselves felt, will result in strikes and demonstrations.

Will the new government, whatever its composition, have the self-confidence to confront society and to insist that its austerity programme is the only way forward? By the same token, will it have the confidence to face down the special pleadings that are likely to come from

the industrial sectors particularly hit by the new programme? The party system as it has emerged in Hungary is confused. The three large parties that dominate the scene — the Free Democrats, the Forum and the Hungarian Socialist Party — are likely to take around 65 per cent of the vote in the general election, and any stable coalition will have to include at least two of them.

The obvious coalition would be one between the Free Democrats and the Forum, but here one has to reckon with one of the most unfortunate developments in Hungarian politics since the demise of the Soviet-type system — the rising antagonism between the elite groups that dominate the two parties.

The Free Democrats are for the most part the heirs of the democratic opposition of the 1970s and 1980s. They profess free-market principles, a return to Europe, and radical opposition to communism. The party leadership is largely, though not

exclusively, Jewish, and concentrated in the capital. The Forum is the latest manifestation of Hungarian populism — it stands for Christian and Hungarian values, the interests of provincial intellectuals; some of its spokesmen favour a "third road" between capitalism and communism, and one or two are unmistakably anti-Semitic; a strong element in the Forum is Christian democracy.

The Hungarian Socialist Party has become a radical reformist and democratic party but lacks credibility because it is the successor of the Communist party. It has some well qualified leaders in its ranks, notably Nemeth and the foreign minister, Gyula Horn, who has earned the plaudits of Hungarian and Western opinion.

The difficulty is that in the absence of access to real power, both the Free Democrats and the Forum have indulged in pseudo-debates, during the course of which personal insults of a distasteful kind have been traded

and which will not be easily forgotten. This makes the task of constructing a coalition after the elections very tough; on present reckoning, a Free Democrat-Forum coalition is out of the question, though matters may change later.

Neither the Free Democrats nor the Forum want to be seen going anywhere near the Hungarian Socialists for fear of being regarded as a communist stalking horse. Indeed, the Free Democrats are all but obsessed with the fear that the communists are somehow attempting to salvage their power.

That was the main reason for their hostility to Imre Pozsgay, whose candidacy for the presidency they successfully torpedoed at the November 26 referendum, by gaining a bare majority for the proposition that the president be elected by parliament rather than popular vote.

Both the main opposition parties are in a state of non-responsibility, in that they are detached from power and are not answerable to any serious constituency. It is to be hoped that once confronted with the task of actual government, they will begin to behave in a more responsible fashion.

The author teaches East European politics at the London School of Economics.

Conor Cruise O'Brien on the apocalyptic potential of a nuclear superpower moving towards anarchy

Russia: voicing the unthinkable

President Bush was expressing a widespread feeling in the West in his televised statement of concern for the political survival of Mikhail Gorbachev. Whether his statement will actually help Gorbachev is another matter. When Russians, and other Soviet citizens, hear the American President suggest that Gorbachev's survival is in the interests of the United States, some of them may be inclined to answer: "Yes, but is it in the interests of the Soviet Union?"

As a result of the events which have transformed the Soviet empire, and continue to transform what is left of it, we have all entered a strange world. The rules, limits, structures, possibilities — even the international repercussions of statements by political leaders — are different from the ones with which we were familiar until 1989. Yet we cannot help going on talking as if the old rules had only been amended, not transformed.

Politicians and diplomats continue, for example, to discuss the future limitation of nuclear weapons as if this would continue within the parameters set by the Washington and Moscow summits, and would be set by further negotiation between the two superpowers. Yet one of the superpowers appears to be in full process of disintegration. At the very least it is undergoing such radical internal change that all we can safely say about its future shape, structures and styles of governance is that these are unlikely to resemble those we have known up to now.

Gorbachev, the initiator of

nuclear limitation, may not last beyond the end of next month. He seems unlikely to last beyond the end of next year. His successors may be people of a quite different stamp, with quite different objectives.

The Soviet Union in 1990 presents the unparalleled spectacle of a polity undergoing great economic distress, combined with political disintegration, yet still possessed of enormous military capability. Lenin once spoke of communism as Soviets plus electrification. Post-communism is beginning to look like anarchy plus nuclear weapons. Hardly a reassuring combination.

As the authority of the Soviet centre decays, will the monopoly of control over nuclear weapons, in what is now Soviet territory, remain intact? What sort of people — or what sorts of people — are likely to be in control of the present Soviet nuclear arsenal, or parts of it, by the end of the present decade? Will Moscow, long before that, try to pull nuclear devices out of republics and regions threatening secession? And if it does try, will it succeed?

The think-tanks of the various defence establishments must already be discussing questions of that type. If so, nothing of their thinking, in this particular area, seems to have entered the public domain. If there has been any public discussion of this particular range of subjects, I have not seen it. The conjunction of the possession of nuclear weapons with conditions of extreme political volatility is so new, and the

possibilities it suggests so terrifying, that I think people shrink from thinking about it. It is more comfortable to assume that the Soviet Union — Gorbachev's reassuring Soviet Union — will remain in one piece and under the same management. I would like that too, but I fear that it is not going to happen.

The Soviet Union is likely to break up, but Russia is likely to remain in one piece, and in control of most of those weapons. That will be a post-communist and post-Gorbachev Russia. It will also be a nationalist Russia. It always has been, but in the new conditions, Russian nationalism will be able to express itself openly, free from the constraints of an internationalist ideology, and the necessities of camouflaged imperialism. Nationalism, when it has long been denied expression, and suddenly finds a voice, becomes passionately excited. That is why the introduction of *glasnost* blew the Soviet Union apart.

Russian nationalism, in the new conditions, will be a humiliated, and therefore exacerbated, nationalism. The breakup of the Russian empire is more like that of the French empire than that of the British one. In the British case, generally speaking, decolonization was accomplished in a dignified way, as a result of voluntary — or apparently voluntary — decisions, taken in the capital. The former rulers necessarily endured some loss of face, but the damage was kept to a minimum.

In the Russian case, as in the French (in the 1950s), decolonization is seen to be dictated



by former subject peoples, and reluctantly acquiesced in by the former rulers. In such circumstances, the blow to national pride is severe. In the case of France, by 1957-58 humiliated nationalism very nearly lurched

into Fascism. France was saved from that by Charles de Gaulle, on July 14, 1958. But history does not seem to have prepared the way for any Russian de Gaulle. And Fascism, Russian-style, already has a voice and

backers, in the sinister movement known as Panay, increasingly active in recent weeks. Hurt Russian national pride, after the breakup of the Russian empire, will draw solace from the fact that Russia remains a mighty military power. The possession of nuclear weapons is likely to be the focus of Russian national pride. That is not a reassuring combination.

The greatest threat to peace, in the new Europe now taking shape, will lie in the relationship between the new Russia — without its empire, but with its nuclear weapons — and the new united Germany. Humiliated national pride, in a poor country, will be looking at triumphant national pride, in a rich country. Almost always, rich countries are more powerful than poor ones in military terms. But not in this instance. Here, the poor country enjoys great military superiority over the rich country; unless Nato fully backed Germany in every possible contingency, which is not something to be taken for granted.

I do not think Gorbachev would be likely to veto the unification of Germany, backing his veto by the threat of force. But I think the government of post-Gorbachev Russia may do just that. Also, such a government might offer to withdraw its veto, provided Germany agreed to help Russia to modernize, on Russia's terms. In such a context, the phrase "nuclear blackmail" might take on a new, and more literal, significance.

I am not predicting apocalyptic, merely referring to apocalyptic possibilities. The world has been living with such possibilities since 1945. But in the Europe of the last decade of the 20th century, those possibilities are beginning to assume new and even more disturbing shapes.

We may live to regret the passing of the Union of Soviet Socialist Republics. At least, I hope we may live.

When the party faithful are a political liability

Robert Kilroy-Silk appeals for the preservation of independent MPs

The last thing that we should want is for our MPs to become full-time legislators. That really would be a disaster. If anything, our elected representatives should be made to spend more time away from Westminster, not less. It might, indeed, be no bad thing if we stopped paying them a salary and compelled them to obtain proper jobs.

They certainly need them. The real problem with today's House of Commons is not that too many MPs have outside interests but that so many of them have little or no contact with the world outside politics. This is especially true of some Labour members. Several of them have devoted their entire life to politics and rarely ventured out of the safe confines of the trade union and Labour world. They know no other life.

These are the members who tend to be disdainful of any other culture, who regard other activities as trivial, and who adorn themselves with the Labour Party badge and tie as a public

demonstration of their separatism — and superiority. They are party men and women all right; they are besotted with it.

This cannot be good. With the best will in the world they would find it difficult to be anything other than politically narrow-minded, to a degree, indeed, that verges on intolerance. The close and restricted environment they inhabit creates a frequently crabbed mentality that resists the unsettling influence of other ideas that might allow them to empathize with other classes.

These, of course, are the people who often affect the posture of unsullied principle, announce their incorruptibility and boast of their political morality. They are the members for whom life is simple, straightforward — a matter of "them and us". They are the bêtes.

There are some nasty and distasteful deals being done by some MPs today. The dignity of Parliament is not enhanced by

the manner in which certain members tout for business and prosecute the interests of their commercial paymasters. But, putting that to one side, much of the criticism of those with an outside interest seems to be at least partly a product of jealousy. It smacks, as it always did, of the envy of those who cannot, or do not want to, obtain jobs, but who resent anyone else benefiting.

I suppose we can tolerate a few moaners and whingers so long as the whining does not contaminate the rest. The trouble is that their clamour to prevent MPs from having interests outside politics is gaining momentum and powerful friends; helped, of course, by the more insoucious contacts of some Tories.

The purge of the independent member must be resisted. There are already too few of them. Apart from anything else, in no way can adequate, fulfilling and constructive work within the Palace of Westminster be found

for 650 ambitious, aggressive and competitive men and women. It is just not available, not even through the enormous increase in select committees.

And, as we all know, the devil makes work for idle hands. His influence does not stop at the members' entrance. He strides boldly along the green-carpeted corridor right into the chamber itself. Many of the parliamentary questions, motions, amendments and issues stem from a desire to make mischief, to do something to relieve the boredom of the place, even merely to justify the long hours spent there, rather than from any commitment to an issue.

I know, I've done it myself, along with colleagues. The long, tedious nights, when the committee or report stage of a Bill is being taken on the floor of the House, and MPs are imprisoned by running three-line whips, are the most productive times — for mischief-making. More than

once the monotony of the tea-room and the bar has been enlivened by a decision of a disaffected group to go into the chamber, indulge in a bit of heckling, have a little fun — like civilized football hooligans.

More than one parliamentary skirmish and backbench rebellion has had its origin in boredom rather than in a political or constituency grievance. Not that many of these parliamentary initiatives do not have merit. Many do, but others are quite irrelevant to the men and women of Leeds and Liverpool, except to the extent that they have to foot the bill for the nonsense.

But, juvenile as all this may be, we can live with it. What is really worrying about the demand to make MPs full-time is the loss of political independence it would entail. MPs on all sides of the House who have an alternative occupation and income possess an independent

spirit, and it shows, just as those with specialized knowledge also shine. They are listened to, whereas the full-timers in both parties are dismissed by all sides as party ranters.

More important still, the member with nothing but his parliamentary salary, and no job to go to should he lose it, is in thrall to his party and its constituency. How can he dare to cross them when they are all that stands between him and the dole queue? So he does not.

The result is that he toes the party line when it might be better for everyone that he reject it. With more independent MPs, the Labour Party would not have embraced unilateralism. The Militant Tendency would not have obtained its grip on the party in the 1980s had more of its MPs been free and independent spirits, willing and able to confront it. It would certainly have spurred the loony left.

A decade and more out of office is the price the Labour Party paid for its MPs in thrall to the party.

Lofted with my own petard



ALAN
COREN

know you have a lot on your mind, but this is the same Mr Coombs. He finished the new roof on Tuesday, and his parting words were: "I'll ring CPL about the wossname, skip, and they'll

collect it, but as it's only half full, you may want to chuck some stuff on, so I'll give you a day, right?" And I thought, this is a golden opportunity, I have been meaning to clear the loft for 18 years, and that was Tuesday taken care of, 14 times up and 14 times down, and a fair amount of jettison making return journeys.

Like the toasters. When I first brought the box of toasters down, there was a man on the pavement sitting in a busted ladderback chair, and he said "Not a bad chair, this, just needs a couple of stretchers", and I said "Take it", and he said "You want them toasters?" which was enough to give me second thoughts, because

I have always known in my heart of hearts that you could get toasters repaired, so I took them up to the loft again, but by mid-afternoon I had third thoughts, and they came down once more, wrapped in 10ft of burgundy Wilton this time, because I didn't want the bloke coming past again and wondering why I would rather throw them away than give them to him.

The collected works of Enid Blyton went back up on the ninth trip. I carried them balanced on the wooden lavatory seat, because I had my flared dress-trousers in my other hand, draped over the busted pogo-stick. That was because when I came down on the

eighth trip with the fan heater that neither fans nor heaters, I looked at the top-dressing on the skip and suddenly saw myself as others might see me: a pitiful wretch in an ancient tuxedo, hopping home to his clapped-out lavatory and the unfortunate children he was raising on a diet of Noddy, war and fourth-division football.

For what is a loft-filled skip but a three-dimensional family album? And who in his right mind would lay 20 years of his life beside the kerb to implore the passing tribute of a sneer? In fact, staring out, now, at what seems to be only a pile of old carpet, I am beginning to wonder about even that. Do I really want the world to know that we were once caught up in the fashion for mushroom shagpile?

I have an hour or so before CPL turns up. All I have to do is clear a space in the loft.

THE ARTS

Sour but
arguably
true view
of Britain

TELEVISION

Sheridan Morley

Notes in the Margin is a new BBC 2 series which, like the much-missed *One Pair of Eyes*, invites a selection of established writers to compose and present personal essays for television, in this case built around the question of how the 1980s will be understood in 50 years' time.

Last night's *Fantasy Island*, by Philip Norman, was an angry, idiosyncratic, articulate and wickedly funny look at what he sees as a decade of facade, pastiche, pantomime and pretence, with Mrs Thatcher as a Barbie-doll figure, forever changing costumes from Warrior Queen through Caring Housewife to Environmental Custodian.

Film clips from *Chariots of Fire* and an oddly uncredited *Ploughman's Lunch* were used by Norman to establish his thesis that patriotism had been hijacked for the Falklands, real pubs turned into theme-park artefacts, and a thousand years of British history reduced to a tourist attraction of phony medieval banquets.

Drifting around a nightmare world of rip-offs and junk food, discovering American hamburger bars at the heart of the British Empire, Norman observed in horror the cultural schizophrenia whereby we sell the worst of our heritage to foreigners while avoiding anything local ourselves. He resembled some latter-day Orwell in a tattered raincoat, peering at the camera through a haze of disbelief and moral indignation.

As befits the son of a man who once ran the Palace on a pier in the Isle of Wight, Norman is an expert on what passes for the leisure industry in this country; his acid lament for a land of theme parks with no particular or comprehensible theme was superlatively considered and only very occasionally unfair.

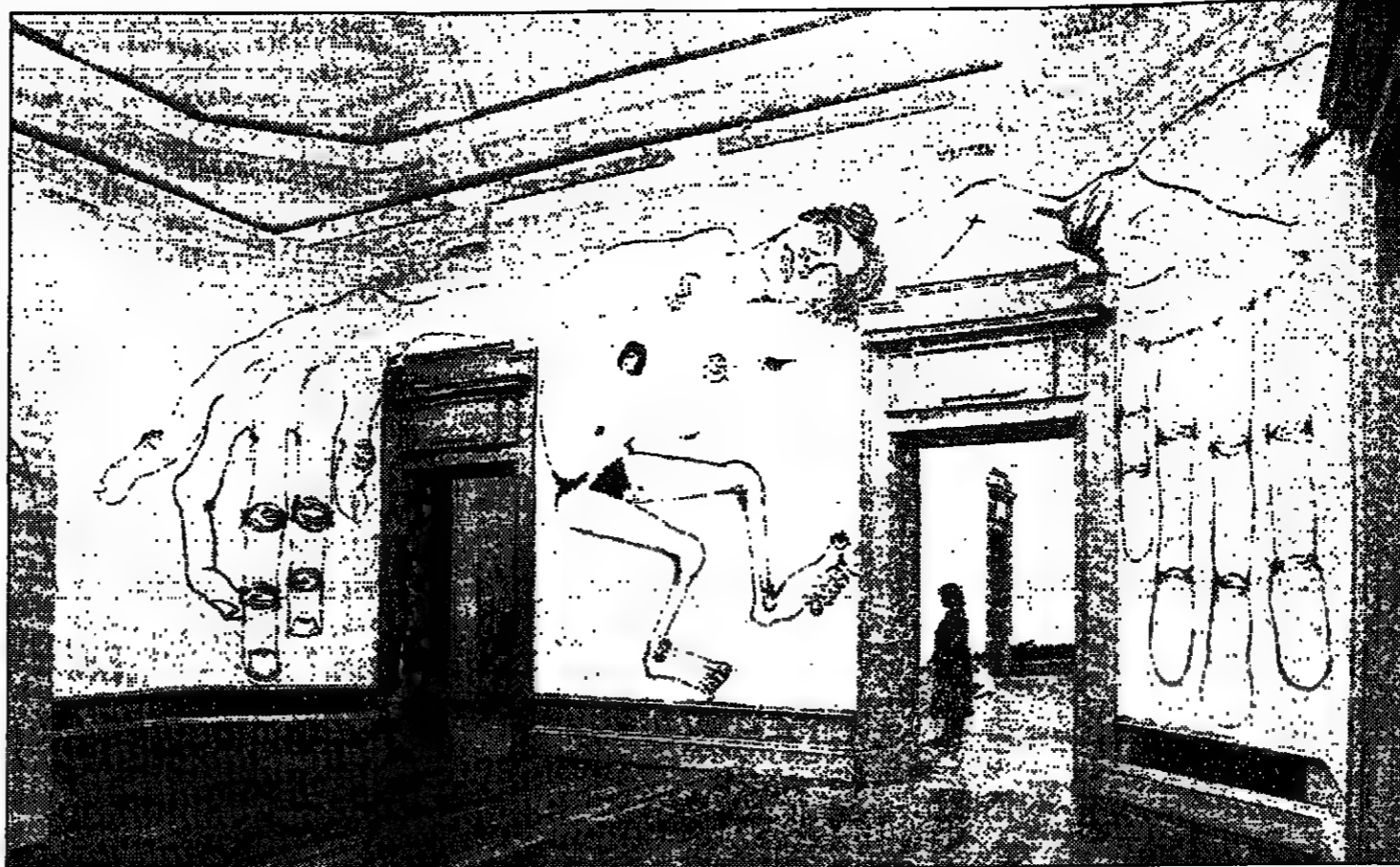
It may or may not be true that Margaret Thatcher is a Barbie-doll and Neil Kinnock a cut-price John F. Kennedy, the Royal Family has sunk to the level of a bad television soap opera, and our nation of lager-louies is run by an elite of logo-junkies, politicians and advertisers. Whatever the case, you have only to glance at that *British Rail* parody commercial of W.H. Auden's "Night Mail", to know that a lot of what Norman says has the appalling ring of not of confidence then at least of truth.

Over on ITV, *This Week* found a still more alarming subject of local scandal and concern: the legal loophole whereby anyone can be allowed to foster children without proper monitoring safeguards. The law is changing, but not fast enough for those who want private fostering made illegal.

Judging from the case histories recorded by Maryn Gregory's documentary, in which three out of four children investigated were forced to leave their foster homes when the parents split up, while the fourth vanished altogether whenever a health visitor called, that change cannot come too soon.

John Russell Taylor welcomes the restoration of a fine exhibition space in Glasgow, but is less impressed with the opening show

Taking a narrow view



From every point of view, amazing: "Self-portrait", a drawing by the handicapped artist Brian Jenkins, on a wall at the British Arts Show 1990

There is nothing like a discreet dose of controversy to fuel interest in an artistic event. True to pattern, Glasgow's year as Cultural Capital of Europe has kicked off with a controversy, although one not so discreet and possibly not all that helpful either.

It concerns the big opening art show, *The British Art Show 1990*, which inaugurates not only the year, but also the renovated and beautified McLellan Galleries in Sauchiehall Street. A white elephant for decades, it now seems likely to be one of the most useful permanent legacies of Culture Year, as a large exhibition space under the general control of Glasgow Museums and Art Galleries.

Therein lies the heart of the controversy. The present show, which runs here until March 11 and then goes on to Leeds City Art Gallery and the Hayward, is a long-planned South Bank enterprise, the third in a succession of round-ups of new British art which goes back to 1980. The new Director of Glasgow Museums and Art Galleries, Julian Spalding, took over when plans for this as the opener of his major new space were well advanced. He did not like what he saw, and made no secret of the fact.

Unable to stop the show, he was at least able to announce that after this dubious start, the McLellan Galleries would next house the sort of British Art Show that he would like to see, defiantly labelled "The Great British Art Show". It will be a much more Turner Prize sort of selection, of artists ranging in age from Francis Bacon down to Stephen Conroy, and featuring the latest works of most of the bright stars from such galleries as Marlborough Fine Arts, Waddington and Anthony d'Offay.

This public argument should at least create continuing interest in the visual-art elements of the Culture Year: people will be eager to see what comes next, to compare and contrast the two visions of British art. The disadvantage is that *The British Art Show 1990* has had something of a shadow cast over it even before it opened: it has a lot to live up to, or live down.

It cannot, anyway, hope to get

away with being just a nice little show. That, to be fair, it would clearly not wish to do in any circumstances. Presenting the three selectors' notion of what British art in the Nineties will look like, and what direction it may be going in, cannot but lay them open to charges of faulty judgment, mismanagement, and using a cloudy crystal ball.

It is clear at once that the major commitment of the selectors is to the avant-garde. But in this pluralist era "avant-garde" itself has become, like Modernism, an historical term. What people tend now to mean by "avant-garde" is very much what they meant 20 years ago, which, of course, was very much what they meant 50

years before that: the breaking-down of traditional genres, the abandonment of traditional skills, a strong emphasis on the concept rather than the workmanship, a taste for the informal, the minimal, the temporary and the spontaneous.

Naturally, the fact that the tradition of the avant-garde is by now well established does not mean that no one should now be working within it. This *British Art Show* consists of work by 42 artists (including one collective). Just over half of the artists are female (21 plus part of the Black Audio Film Collective). Thirteen have been trained at Goldsmiths' School of Art, the current flavour-of-the-month in art colleges,

including most of the best-known artists present, such as Lisa Milroy, Julian Opie, Cathy de Monchaux and Joanna Kirk.

Five are noticeably "ethnic", and one of the others, Lesley Sanderson, makes a big point in her artist's statement (oh yes, they all have those) about using her art to dispel myths of ethnicity, especially concerning women of Chinese origin. All are under 40, and 23 of them under 30. They nearly all seem to be solemn about themselves as perhaps only those just out of college can be.

And are they any good? On this evidence, are the prospects favourable for British art in the Nineties? The answer, inevitably, is yes.

no and maybe. On the whole the artists who are already familiar from major West End and even museum shows come out best. Lisa Milroy and Joanna Kirk are doing again what they have done before - Milroy painting light-bulbs or shoes abstractly arranged against plain light backgrounds, Kirk painting details of lace taken from other paintings and isolated against a plain dark background - and they both look good and distinctive.

Cathy de Monchaux comes up with some more of her curiously evocative and sinister sculptures combining metal and velvet: one hesitates to think what they could do if ever they got hooked into Stephen King's computer. Julian

Opie has moved away now from his whimsical painted metal sculptures, and on through the rather Deco pieces to the abstract construction of his "Cubicle". The result is immaculate but rather ordinary: with any luck, this will prove to be a transitional work.

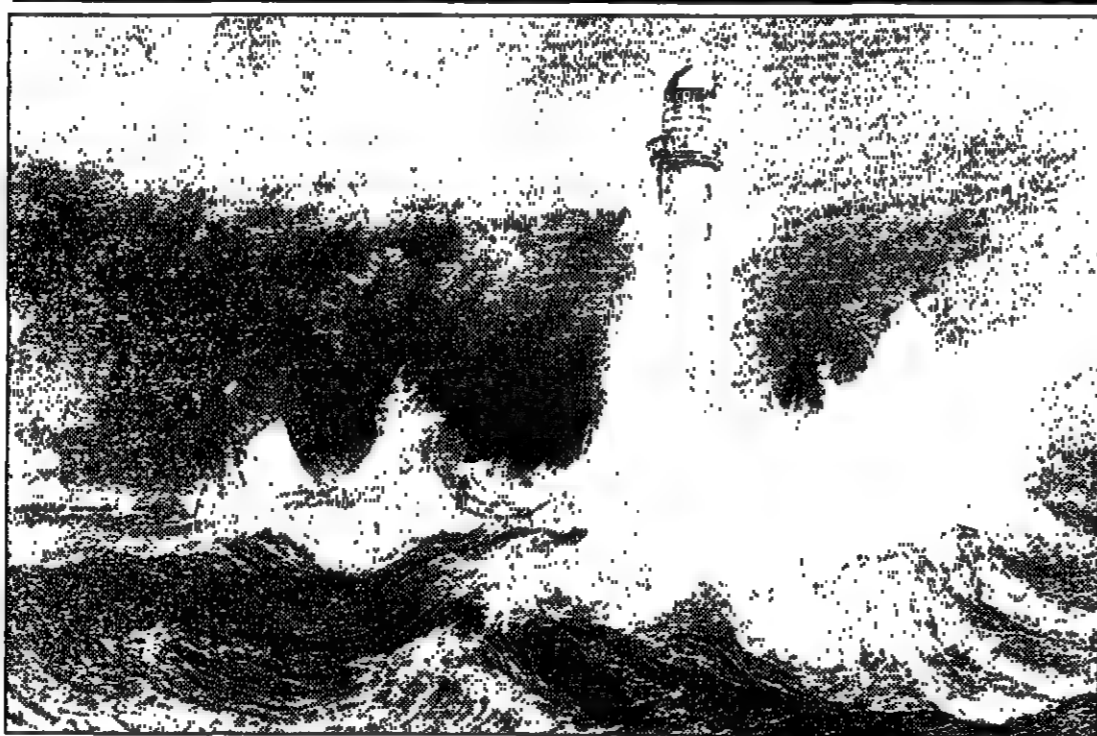
On the other hand, there were sadly few discoveries. I was rather taken by the curious paintings of Jeffrey Dennis, which place miniature figures in fantasy landscapes made up, apparently, of enormous magnifications (for instance, of tinned peas), and fragments of decorative textile.

A couple of artists convince one, for the moment, that small is beautiful: Kabir Hussain with a group of tiny abstract bronzes, exquisitely patinated, and Bethan Huws with even tinier pieces made up of rush, folded and tied to look like miniature boats or refugees from a swarm of locusts. Also striking are the all-overish, obsessive paintings of Elizabeth Magill, with their multiplying numbers and fleurelys imprisoning fish and stars.

The enormous, site-specific self-portrait drawing of the handicapped artist Brian Jenkins is from every point of view amazing. And Vongphrachant Phaphanit's "Fragments", with family photographs projected on to a circular installation of spinning ventilators, has an elusive, haunting quality impossible either to escape or to explain.

Of course the picture is one-sided. Evidently none of the young-foggy painters such as Stephen Conroy, with their keen regard for representation and traditional values in art, is represented, as though this line of development were the prerogative of the middle-aged.

It is good that Conroy will be gathered in next time round (not merely British, but Great to boot), though not so good that he should be included in a show which is looking back rather than forward. In a show so evidently careful as *The British Art Show 1990* about getting its political proportions right, one might reasonably wish to find a similar care expended on getting the aesthetic proportions right as well. There are many ways forward through the Nineties: this indicates too few of them.



"The Bell Rock Lighthouse", Turner's glorious watercolour, which was rediscovered only 10 years ago

The romance of the cruel sea

Every New Year since 1900, the National Gallery of Scotland has come up with a month-long treat: a group of 38 watercolours by J.M.W. Turner. These were bequeathed to the gallery by the somewhat enigmatic collector, Henry Vaughan.

Following the precocious concern for conservation shown by that great Turner advocate, Rosalind Vaughan stipulated that these fragile works should only be displayed in January, when Scottish daylight is at its weakest. Even now, when the fastidious conservation fraternity condemns all such work to either the cabinet or cuprescure gloom, the Scottish gallery continues to comply with its benefactor's conditions. It is a quaint archaism.

Last year the Vaughan Bequest was augmented by the acquisition of Turner's vignette illustrations to the poems of Thomas Campbell. This year there is a glorious further addition: the artist's large

watercolour of "The Bell Rock Lighthouse", purchased for £182,000 from the great grandson of the bequest's engineer and descendant of the nation of *Treasure Island*. For many years only known from the engraving, the watercolour rediscovered in 1980.

When Turner journeyed north to collaborate with Sir Walter Scott, Scott recommended Turner to Stephenson as a suitable artist to illustrate his account of the construction of his lighthouse.

Although Turner visited Scotland six times, he never actually made it to the Tay estuary, and worked at this watercolour from sketches supplied by the engineer himself and other artists. But the romantic subject - human technology defying the elements - was perfect for him. He chose to show the lighthouse surviving the angry climax of a thunderstorm: the flaming plane crashes over the structure, a helpless sailboat

flounders, lightning flashes. Technically it is a virtuoso piece of sea painting - a welcome contrast to the Italianate sweetness prevailing in the rest of the collection.

Water is omnipresent in Edinburgh's Turner: from the tame blue/grey wash drawings of the English coast he coloured in as a youngster with Girtin, to the lambent, golden views of the Rhine at Heidelberg and the river's cataract at Schaffhausen. So, too, are mountains: from the Alps to the Caillins. But whatever the nature Turner paints, it is impossible to ignore the fact that everything has been through the mill of his imagination.

Llanberis Lake looks like Combe, and Durham Cathedral might as well be soaring above the Venetian lagoon. The pleasure in these watercolours is not in their naturalism, but in their romantic vision.

Andrew Gibbon Williams

Strings that tugged at the heart of Mozart



Yuri Bashmet: seeker of secrets

London will soon be hearing its fill of the viola player Yuri Bashmet when, in the company of his colleagues and Russian compatriots, he celebrates the music of Schnittke next month. His visit was heralded by a brief appearance on Wednesday night to meet a challenge of a different order: to play Mozart's *Sinfonia Concertante* K364 with Iona Brown and the Academy of St Martin-in-the-Fields.

The challenge lay partly in co-existing with an orchestra which just happened to be in more than usually gentle, if not genteel form; and mainly, as it always does in this work, in finding the perfect balance of voice and response with the solo violin. This time there was rather more of direct exchange than pervasive inter-fertilization

CONCERTS
Hilary Finch
ASMF/Marriner
Festival Hall

of idea. Brown's was the more querulous, highly strung voice, firing on more conscious sources of energy; Bashmet's the more internalized, the more centred, the yielder of the deeper secrets.

In this partnership it was, not surprisingly, the solo entries that told the most: Brown's characteristically fine and refined thread of sound, emerging from the first movement tutti to stop time in its tracks; Bashmet's response, in the second movement momentarily

and wonderfully catching the breath in its searching concentration and its live sureness of direction.

Two Mozart symphonies flanked the work. The "Haffner" took more than a glance over its shoulder at the Serenade which had inspired it. This was a muted performance in which the woodwind came into their own, pitted against a fine patterning of timpani playing.

The urgency with which Mozart composed the "Linz" seemed to be the last thing on Sir Neville Marriner's mind as he conducted a performance of meticulously blended textures, more amiable than spirited, and redeemed from the bland simply by the vivid shaping of each passing figure and phrase.

represents sketches of some of the ideas and stances that eventually found their place in *The Seasons*.

The vocal quartet, comprising Patricia Rozario, Catherine Denley, Adrian Thompson and Richard Jackson, sang brightly and (mostly) with mutual sympathy. Graham Johnson's contribution at the piano, which was usually a mere doubling of the vocal lines (although there was an important prelude in "Wider den Übermut"), cultivated the art of discretion to a fault.

A far more gratifying experience was to listen to the Endellion Quartet in two works from the set of six, Op 64. They had already given the other four in the course of two previous concerts in this series.

Both No 2, in B minor, and No 3, in B flat major, are greatly original pieces. The B flat work has particularly flamboyant outer movements and a set of profound, spacious double variations as its slow movement, while the B minor piece is rare not least for the fact that all four of its movements are in the home key.

The balance and understanding that the Endellion brought to both pieces was remarkable; no less so was their sense of spontaneous enjoyment, reflected as much in their faces as in the lovely sounds they produced.

Stephen Pettitt
Endellion Quartet
Queen Elizabeth Hall

String quartets and part songs make strange bedfellows, but it was typical of Sir William Glock's programme planning that this concert, part of the second, chamber music phase of the South Bank's "The Haydn Series", should present the two genres side-by-side.

This was actually a complete survey of the latter form. In his old age Haydn wrote precisely one set of 13 three- and four-part songs, with the texts all taken from C.W. Rauter's collection of poetry by different authors, *Lyrische Blumenlese*, and in the case of the four spiritual songs at the end of the sequence, Christian Fürchtegott's *Geistliche Oden und Lieder*.

Perhaps it was a mistake to give all of them at one sitting, for there is inevitably a sense of sameness with these textures, even though the flavour of the texts varies considerably, from the humorous "Die Beredsamkeit", a carefree extolling of the virtues of wine, to the solemn "Abemälet zu Gott", with its solemn intimations of mortality. It is as though the cycle

A double trap made explicit

OPERA
Paul Griffiths
Oedipus Rex/
Bluebeard's Castle
Scottish Opera

Originally credited only as the designer of this *Oedipus Rex*, Stefanos Lazaridis now shares the billing as director with Michael Hunt, but this always was essentially a designer's production and a striking one. With the principals and chorus stacked up the stage in square boxes, as if in a honeycomb made by quadded bees, the double trap of the work is explicit: the trap of a man caught by his past, and the trap of music similarly confined, except that Stravinsky is a cleverer riddler than Oedipus and makes out of his construction, by so blatantly exposing it, the means for escape.

These traps are demonstrated, but the trap of classicizing is skilfully avoided. Oedipus - swaggering in a black costume suggestive of military uniform, and with red hair partly cropped, partly falling over his shoulders - is straight out of the 1980s, but the other soloists all belong in an archaic past, appearing like white-daubed idols from Polynesia or tropical America, with geometrical outlines and tufts of straw or feathers.

Meanwhile, the men of the chorus are bowler-hatted clerks, but with heads scarred and depleted by plague. All this gives the work a stark, powerful and appropriate look, though the effect is too much vitiated by contrived and superfluous action, especially for the chorus, and by lighting changes. Looking so good, the production should be left to sing itself out in challenging simplicity.

It certainly has the voices to do so. Joan Treleven, in the title role, manages to combine the physical arrogance of an Otello or Radames with the favour of an orthodox priest: I have never heard the liturgical qualities of the



Anne-Marie Owens as Jocasta: energetic but lacks thrill and fullness

work so absorbed into the singing, thoroughly convincingly. His tone at first is simultaneously forceful and lubricious, and the turns of the plot are marked by a progressive withdrawal into pallor.

Anne-Marie Owens is an energetic Jocasta, but she could allow more thrill at the top and fullness at the bottom. Nicholas Folwell sings excellently as Creon and the Messenger, the chorus is fiercely impressive, and the narration is delivered by Robert O'Mahoney with no holds barred, though it still invites one to concur with Stravinsky's later judgement that it was a mistake.

The accompanying production of Bartók's *Bluebeard's Castle*, designed and directed by Lazaridis alone, presents Judith as the dominant partner, which is perhaps inevitable when Kathryn Harries is singing the role. She portrays a woman of formidable authority, locked with Bluebeard into a marriage of cynicism and need, which plays itself out in a bedroom-prison. Her singing is passionate but level, a weapon of

power as she taunts, provokes and scarpes Bluebeard to the act of sudden rape, but effectively ends the drama, though with 10 minutes of the opera still to run. Indeed, it is as if the characters in a Strindbergian endgame were being obliged at the same time to sing the Bartók opera.

The acting and the singing command respect for their daring - and Monte Jaffe as Bluebeard must certainly have some of the credit, though he is made a passive figure and his words are unclear - but the events of the libretto often seem adventures or even bathetic, when they have not been changed to suit the new context.

The jewel scene, for instance, comes at a stage when Judith is Bluebeard's baubles.

Nevertheless, the conductor, Vachang Matchavarani, whose Rex had contained worrying rhythmic looseness and vulgarisms, proved that Bartók's music can answer the violence we were seeing on stage.

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THE ARTS/ROCK

George Clinton, the inventor and originator of much of the vocabulary of today's black dance music, interviewed by Rose Rouse

Return of Doctor Funkenstein



George Clinton: Funkateer is still waiting for a ship to beam him up

From his head sprouts a sort of pineapple plant of unruly, rainbow-coloured locks. What is more, he is sporting a joke shop elephant's trunk on his nose. Passers-by in the back streets of the Bastille district are having a hard time retaining their Parisian cool, for this is George Clinton: the "grandfather of funk" and the outlandish mentor of many of today's young rap and rock musicians.

"I'm an old ham and I love it," Clinton says, by way of honest explanation. Younger than I had expected, the 49-year-old Clinton has been seriously strutting his musical stuff for over 30 years. He was originally a barber in New Jersey, whose first band was a doo-wop combo called The Parliament, who rehearsed when the shop was shut.

Sporting suits and shiny shoes, they finally had a hit single — "(I Wanna) Testify" — in 1967, but their end was already nigh. "The Temptations had that sort of music sewn up," Clinton says. He understood the problem: they needed to get hip. "I remember watching Jimi Hendrix," he says. "I knew him as Jimi James, a guitar player with a tuxedo and no shoes. I saw him leave and come back, then I understood all it took was a change of outfits to bring new associations." Thus began Clinton's era of bedsheets, nappies and psychedelia.

Clinton lapped up alternative culture in the Sixties and Seventies. He formed one main band, called it Funkadelic or sometimes Parliament, then grew offshoots like The Brides of Funkenstein, The Horny Horns and Bootsy's Rubber Band. It was basically a business scam, designed to protect them from the record companies. "We had about 60 musicians around in all," he says. "I signed them in different names to different labels."

Meanwhile, their clothes, their music and their lyrics grew wilder. P-funk — a mixture of gospel, jazz, soul and rock — developed its more outrageous dance rhythms and Clinton's ever-expanding band of "funkateers" became as flamboyant as the music they were playing. "We were clowning," he says. "We'd go and snatch a sheet off the bed, make a diaper from a towel or pull down the drapes."

By the end of the Seventies, P-funk was prospering. "One Nation Under a Groove" and "Atomic Dog" had been hits and the albums were selling in hundreds of thousands. Clinton and his many cohorts took drugs and wrote zany lyrics which have become mandatory in every aspiring hipster's quotation book — from "Free Your Ass and Your Mind Will Follow" to "The Electric Spanking of War Babies". Chants, borrowed guitar riffs, strange noises and even stranger on-stage antics were thrown together.

The hippy decade also saw them moving out of the bedsheets and into the glitz. "We were having hit records and I said: 'We've got to get back to spacehips and glitter to the max.' We had a half-million-dollar show." Their 1979 Earth Tour had Clinton arriving on stage in a giant spacesuit.

Unfortunately, the Eighties brought litigation and career doldrums. The record companies closed their doors and the radio stations refused to play their records. 20 recorded albums went unreleased. Was Clinton ever despondent? "Nah," he says. "If you've got the funk, you carry on feeling funky. If that's the way it is, that's the way it is. Funk to me is maximum excess."

Sixties-style "iness" may have seen Clinton safely through the Eighties but Prince, a dedicated follower of Clinton's experimental ways, helped out by releasing George's first album for five years, *The Cindarella Theory*, on Prince's own record label, Paisley Park.

Consequently, Clinton finds himself on his first European tour for 10 years. Accompanying him are 18 from the Clinton musical family, the P-funk Allstars, who include such old-timers as Michael Hampton (guitar) and Garry Shider (singer, who carries on the nappy-wearing tradition).

On-stage, they are a travelling circus from outer space, who sadly can no longer afford their spaceship. Wonderfully amorphous,

they improvise through and around old numbers such as "Cosmic Slop" and "Think (It Ain't Illegal Yet)". In Paris they exhibited a seemingly organic awareness of each other and would swap roles, instruments, places on stage and in-jokes.

Clinton was only a minute pink leopard-skin fragment of the so-called whole, plus he had a terrible cold, so it was fortunate that the melodic voice of Gary Shider (co-author of "One Nation Under a Groove") was there to help him out. One moment, the focus was on the guitarists, and there could be five of them playing at one time, and the next, it had moved over to trombone player, Greg Boyer who happened to be doing a headstand, or to singer "Clip" Payne, who was holding up a piece of paper saying "Safe Sex". At times, they appeared to be in danger of rambling off the edge of the universe, but most of the three-hour "Groove Thing" was brilliantly entertaining.

He lives 80 miles outside Detroit on a 179-acre farm with his wife and two grandchildren. "I'm for real, I drive around on my tractor looking like this," he says. Infamous for his out-of-this-world weirdness, Clinton struck me as an eminently down-to-earth man. The doyen of P-funk is definitely a space-age survivor.

George Clinton plays a concert at Hammersmith Odeon on February 2

Mike Nicholls meets Booker T. Jones, Sixties soul star who has reformed his group, the MGs

More onions, at last

Yet another Sixties legend is getting his live act together. Booker T. Jones has reformed the MGs and is bringing them back to the boards, along with some of the other great names of the golden age of soul music.

These include Sam Moore of Sam and Dave, Eddie Floyd, the man who is still knocking on wood, and Curtis Thomas, Otis Redding's best friend and acknowledged queen of the "Memphis sound". All of them came from this rhythm 'n' blues capital, home of the Stax record label.

Apart from being famous for such timeless hits as "Green Onions" and the one-time television theme tunes, "Soul Limbo" and "Time Is Tight", Booker T. Jones was one of the architects of the Stax sound.

The name MGs is a contraction of "Memphis Group". The full title, Booker T. Jones and the Memphis Group, simply would not fit on a theatre marquee. As the house band, sometimes with a horn section as the Mar-Keyes, they were involved in the writing and recording of some of the best

soul music ever, making hits with Wilson Pickett, Otis Redding, Sam and Dave, Arthur Conley and Isaac Hayes, who was one of the label's founders. Stax might have been overshadowed by the Tamla and Motown labels, but it still occupies a key position in popular musical history.

A modest man in his mid-40s, Booker prefers not to talk in terms of legends and history. But he does concede that Stax records have both influenced subsequent generations and stand the test of time: "I think the best thing about Stax was that out of a small nucleus a spirit grew which became the spirit of the times."

"Songs like 'Green Onions' and 'Knock On Wood' have become a reference point. I think a band such as U2 might have been influenced by that type of thing, and the Steets have always admitted it."

"Some of the samples used in rap and house music today come

from the rhythm and blues that we recorded. I feel they have to draw on what we did to get the correct dance beat they use."

It is more than 20 years since Booker T. and the MGs have played in the UK, the instrumental quartet having disbanded in 1975. In October that year drummer Al Jackson was shot dead, apparently while apprehending a burglar in his home.

"Nobody knows what really happened," says Jones. "It took a long time to get over. We were friends," he whispers, in his understated manner. "By that time I had moved to LA to get into different kinds of production. In Memphis I was pigeon-holed with Stax and I wanted to step out into the world."

Although this put an end to the hits, his income tripled producing songs such as "Ain't No Sunshine" and "Lovely Day" for Bill Withers. More surprisingly, Jones also worked on five albums for

country artists Willie Nelson and Rita Coolidge, to whose sister he was married for 10 years.

During this time the surviving MGs, bassist Donald "Duck" Dunn and the supremely influential guitarist Steve Cropper, joined the Blues Brothers for the Dan Aykroyd/John Belushi film of the same name. They have become regarded as among the very best of US session musicians, guesting on and producing countless records by other performers. Drummer for the European trip is another US session star, Danny Gottlieb. All this activity begs the question — why are Booker T. and the MGs reforming? "Well," says the man who will now be seen singing as well as playing his familiar Hammond organ, "I think we've got a new approach and are ready to make new music. Of course it will take a while before we have new songs, so for the London shows it will probably be all the familiar stuff."

Booker T. and the MGs, with Eddie Floyd and possibly other guests, will be playing at the Town & Country Club, Kentish Town, London, tonight and tomorrow.



The MGs in the mid-Sixties: Booker T. Jones (seated), with Donald "Duck" Dunn (left), Steve Cropper (centre) and the late Al Jackson

The discreet harm of the bourgeoisie

ALBUMS
David Sinclair

Tania Tikanam: *The Sweet Keeper* (East West 9031 7080-2)

There are several things wrong with Tania Tikanam's follow-up to her audacious and immensely successful 1988 debut, *Ancient Heart*. These range from simple matters, such as the perverse running order of the tracks, to more fundamental signs that, at the tender age of 21, Tikanam may already have succumbed to a severe case of artistic ennui.

The album starts with three of its weakest songs — "Once & Not Again", "Thursday's Child" and "It All Came Today" — establishing a tone of baleful, cryptic introspection. There is a musty quality to the austere chamber pop arrangements, which feature violin, trumpet, flute, accordion and a slithering fretless bass, all sitting worthily but flatly on the slowly unfurling, featureless landscapes of the songs.

It is a marked relief when the single, "We Almost Got It Together", arrives, for, although a slight concoction, it does have a catchy chorus and a pleasing bounce to its step.

There is an overwhelming sense on *The Sweet Keeper* of a unique and intelligent talent being squandered. Tikanam is old beyond her years and sounds as if she would like to be older still. She has just spent two years sitting around in hotel rooms pondering the meaning of life, and instead of rubbing shoulders in the studio with someone young and irreverent she has again handed the production baton over to veteran hippy-entrepreneur-turned-New-Age-strategist Rod Argent and his colleague Peter van Hooke.

Although this was the team that worked wonders for her on *Ancient Heart*, here they only encourage a musical vision that is, frankly, becoming rather prim and bourgeois.

Still, there are compensations. Her marvellous voice has lost none of its mysteriously fruity quality and despite the intrusive lashings of Mantovani-like strings, songs like "Little Sister Leaving Town" and "Consider the Rain" (featuring the exquisite bottleneck guitar of Sonny Landreth) resonate with an exotic, though strictly downbeat warmth.

Ian Hunter/Mick Ronson: *Yui Ora* (Mercury 838 973-2)

You have to admire the sheer guts of Ian Hunter and Mick Ronson, a pair of musicians whose careers, both individually and as a duo, have been in a steady state of decline since they first teamed up after the much lamented demise of Mott The Hoople, 15 years ago. If they had not been prepared to spend most of 1988 slogging round the American clubs without a recording contract, this album would have got no further than the rehearsal room.

The pair seem impervious to such vicissitudes, both musically and physically, and the truculent sneer-and-shades image which hallmarked Hunter's status as a Seventies' godhead looms virtually unchanged from the cover of *Yui Ora*.

Unfortunately this is not such a strong batch of songs. Hunter employs his slurred croak to deal up some familiar lyrical cards, shamelessly promoting himself as the romantic, macho, backwoodsman: "I got my bags, I got my boots, I got ma wits about me, I got my roots" ("The Loner"), while Ronson, possibly rock 'n' roll's most underrated guitarist, plays with a typical mixture of tasteful reinforcement — notably his angular instrumental reading of the Don Gibson country standard "Sweet Dreamer" — and unabashed, tub-thumping bravado.

However, too many of the riffs sound like rejects from

Exile on Main St, with "The Loner" and "Women's Intuition" in particular suffering from a surfeit of clichéd, clanging suspended sevenths, and when they come on like a pair of lovable Cockney goons on "Big Time" the effect is distressingly redolent of Chas and Dave.

Sonny Sharrock Band: *Live in New York* (Enemy EMI 108)

Sonny Sharrock is one of those absurdly accomplished, virtuoso guitarists in the John Abercrombie or John Scofield mould. A stalwart of the New York free jazz scene, he recorded in the Sixties with the likes of Don Cherry, Wayne Shorter and Miles Davis and has latterly featured as a member of Bill Laswell's agglomerate, Last Exit.

Sharrock's astounding technique is that of a jazz player, but his heavily overcranked guitar sound and quick-on-the-draw playing instincts are more those of a techno-blues rocker. This mongrel combination, which tends to alienate both jazz and rock aficionados, produces music of an intensely fiery and robust quality.

Sharrock's band totes two drummers — Percoran Akaliff and Albe Speller — both awesome players, and with much of the music's high-energy emphasis depending on their underlying percussive dialogue, *Live in New York* reminds me in places of Billy Cobham circa *Spectrum* or perhaps some of the more extreme excursions of the post-Phil Collins Brand X.

"Dick Dogs", with its complex, switchback melody line traced simultaneously by guitar and synth, builds up to an invigorating white noise workout at the climax, and "Herbie's Dance" reverberates to some devastatingly crunchy power guitar chords. However the inclusion of a couple of pub-rock blues standards, "Elmo's Blues" ("Dust My Broom" with muddled lyrics) and "Money Honey", is incongruous, to put it mildly.

It was recorded at New York's Knitting Factory, current headquarters of the "free" avant-garde, and the applause between songs is of the women-and-a-dog variety, lending a final touch of authenticity to this as the resolute product of a shamefully under-subscribed genre.

ERIC CLAPTON
BAD LOVE

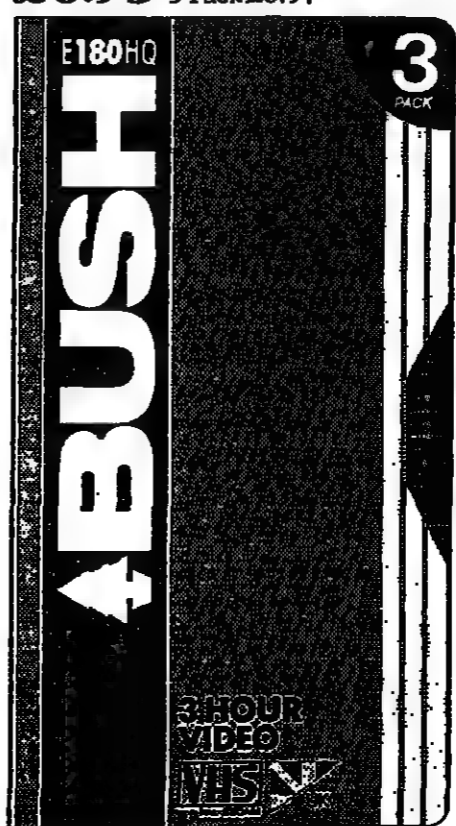
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WOOLWORTHS

TELEVISION & RADIO

Compiled by Peter Dear and Gillian Maxey

Farewell Citizen Oblomov

Peter Waymark

● In Arena (BBC2, 9.30pm), Paul Lee has had the bright idea of transporting Gorchakov's classic slob, Oblomov, from the 19th century to the Soviet Union of President Gorbachev. In an age of perestroika, Oblomov represents the very forces that Gorbachev is fighting against: laziness, corruption, stagnation. As many will remember from Spike Milligan's stage spoof, Oblomov is the story of a man whose life consists of staying in bed as long as possible, emerging only to consume vast meals before sliding back into a happy state of complacent sloth. In Lee's updating, the erstwhile Russian aristocrat has been turned into a party bureaucrat, regretting that the Brezhnev era could not have



Outmoded: George Wendt as Oblomov, the aristocratic slob (BBC2, 9.30pm) gone on for ever. But with an anti-corruption committee hard on his heels, Oblomov's days are numbered and, by implication, those of the anti-Gorbachev old guard. That, at least, is Lee's optimistic message. Thanks to *glossnost* the film was able to gain in local colour by being shot on location in Moscow and on the banks of the Volga and it uses Russian actors speaking their own language with sub-titles. Oblomov, however, is played by George Wendt, the heavyweight American star of *Cheers*, with our own Ronald Fraser as Zachar, the foul-tempered servant who was originally a serf but is reincarnated as the chauffeur. Surprisingly, perhaps, the mixture of languages and accents is not the least bit incongruous. If anything, it adds to the fun. And the parallel between Oblomov and the pre-Gorbachev Soviet Union is wittily made and never forced.

● Another by-product of *glasnost* was *Alphaville* (Channel 4, 8.00pm), Peter Kosminsky's remarkable film about Soviet disaffection with the war in Afghanistan. First shown on ITV in October 1988 before the troops were pulled out, and the winner of six international awards, it is repeated as part of Channel 4's *Soviet Spring* season.

● After extensive negotiations with the authorities, Kosminsky was allowed a completely free hand and none of his material was censored. The result is a frank and vivid series of testimonies in which opposition to the Afghan venture — arguably the Soviet Union's Vietnam — is expressed not only by veterans and grieving families back home but by serving soldiers, from a general downwards, at the front.

- BBC**
- 8.30 Breakfast News and Countrywide. Steve Rider introduces highlights of the overnight action from Auckland; David Lee summarizes Games events at 6.30, 7.30 and 8.30. Plus regular news headlines, business and finance reports, sports bulletins, regional news, weather and travel information. 9.30 Regional news and weather.
 - 9.00 News and weather followed by Open Air. Eamonn Holmes receives viewers' comments on yesterday's television programmes.
 - 9.30 Kilroy. Robert Kilroy-Silk chairs a studio discussion on a topical subject.
 - 10.00 News and weather followed by Going for Gold (r).
 - 10.20 Channel 4. BBC, presented by Simon Parkin, begins with Playdays (r) 10.30 Roobarb (r) 10.50 Five to Eleven. Richard Padoa with a reading.
 - 11.00 News and weather followed by Open Air. Eamonn Holmes and Jayne Irving follow up viewers' earlier comments on yesterday's television. Michael Peadar Kirby reports from New Zealand on how the Commonwealth Games are being held in Auckland.
 - 12.00 News and weather followed by Countdown. Helen Rossell introduces the day's line-up of events in Auckland, including badminton, weightlifting, bowls and the women's gymnastics team final. 12.30 Regional news and weather.
 - 1.00 One O'Clock News with Philip Hayton. Weather. 1.30 Neighbours. Harold's reluctant return to the office as Joe Mangal, who Nick and Sharon start to pick up the pieces of their broken relationship. (Ceefax) (b/w).
 - 1.50 The End Time (18.00). Dorothy McGuire and Robert Mitchell. A GI feels anxious and disillusioned after four years in the marines, then the widow of a pilot enters his life and attempts to help him come to terms with himself. Directed by Edward Dmytryk.
 - 3.30 Cartoon Triple Bill. 3.40 Is That a Fact? Stories behind the 1988 Commonwealth Games. With the voices of Tim Brooke-Taylor, Bill Oddie, Graeme Garden and Jill Shilling (r).
 - 4.10 Jeopardy. Peter Davidson with past five of Lewis Carroll's *Through the Looking Glass*. 4.30 The New York Bear Show. 4.30 Coppers and Co. starring David Copperfield (r).
 - 4.55 Newsround Extra. Roger Hunt investigates the growing problem of graffiti. 5.10 Grange Hill. Episode eight. (Ceefax).
 - 5.35 Neighbours (r). (Ceefax).
 - 6.00 Six O'Clock News with Peter Sissons and Mike Sheiwa. Weather. 6.30 Newsround South East.
 - 7.00 Commonwealth Games Today. Desmond Lynch introduces further action from the day's events in Auckland including the swimming final, two diving finals and the women's gymnastics team event. Plus boxing, bowls and shooting.
 - 8.00 Top of the Pops introduced by Mark Goodier and Jaki Brambles.
 - 8.35 All at Hand. Having at last broken into Gruber's safe, Lester finds that Hitler's invasion plans have been replaced by a Van Gogh vase and a Van Gogh masterpiece while, back at the cafe, Lester's attempt to steal Gruber's tank out of the square runs into a spot of trouble (r). (Ceefax).
 - 9.00 Nine O'Clock News with Martin Lewis. Regional news and weather.
 - 9.30 Film: *Plenty* (1985), starring Meryl Streep, Charles Dancy, Tracey Ullman, John Gielgud, Ian McKellen and Sting. The former agent of a World War Two French Resistance group is unsettled when she returns to the mundane and ordinary expectations of her cosy upper-class lifestyle.
 - 10.00 *Debut* (1985). A woman in an attempt to find fulfilment she makes other people as well as herself prisoners of her own selfishness. Directed by Fred Schepisi. (Ceefax) Followed by Weather.
 - 11.30 Commonwealth Games. Steve Rider introduces live coverage from Auckland with the start of the athletics events. Includes: 12.00 the men's 100m heats; 2.30 the men's hammer final; and live swimming final; 6.30 the men's 10,000m final. Plus the latest news of the gymnastics, boxing, bowls, cycling and shooting events. David Coleman leads the commentary team. Ends at 6.30.

- BBC**
- 6.00 TV-am begins with News and Good Morning Britain presented by Linda Mitchell and from 7.00, by Mike Morris and Lorraine Kelly with the first part of the morning's news. 7.30 News and weather. 8.00 At the Races. 8.30 The News. 9.00 At the Races. 9.30 The News. 10.00 The News. 10.30 The News. 11.00 The News. 11.30 The News. 12.00 The News. 12.30 The News. 1.00 The News. 1.30 The News. 2.00 The News. 2.30 The News. 3.00 The News. 3.30 The News. 4.00 The News. 4.30 The News. 5.00 The News. 5.30 The News. 6.00 The News. 6.30 The News. 7.00 The News. 7.30 The News. 8.00 The News. 8.30 The News. 9.00 The News. 9.30 The News. 10.00 The News. 10.30 The News. 11.00 The News. 11.30 The News. 12.00 The News. 12.30 The News. 1.00 The News. 1.30 The News. 2.00 The News. 2.30 The News. 3.00 The News. 3.30 The News. 4.00 The News. 4.30 The News. 5.00 The News. 5.30 The News. 6.00 The News. 6.30 The News. 7.00 The News. 7.30 The News. 8.00 The News. 8.30 The News. 9.00 The News. 9.30 The News. 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WALL STREET

Trade quiet ahead of economic data

● **Tokyo** - Tokyo share prices pulled themselves up from Wednesday's lows, with the Nikkei index showing gains in light trade, while the overall market was mixed. The Nikkei climbed 190.13 points, or 0.52 per cent, to close at 36,178.59.

WORLD MARKET INDICES

	Daily	Yearly	Daily	Yearly	Daily	Yearly
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Index	Value	chge (%)	chge (%)	chge (%)	chge (%)	chge (%)	chge (%)
The World	778.1	0.8	18.7	0.8	15.8	0.8	8.1
(free)	148.7	0.8	18.6	0.7	15.8	0.6	8.4
EAPE	1439.3	0.8	13.1	0.5	13.8	0.8	3.4
(free)	148.1	0.8	12.9	0.4	13.5	0.8	3.4
Europe	724.0	0.6	33.8	0.7	23.4	0.4	23.0
(free)	155.5	0.5	34.2	0.4	23.6	0.4	23.0
North America	493.0	0.6	29.9	0.5	19.0	0.4	19.1
(free)	152.1	1.4	40.2	1.5	26.8	1.2	28.4
Nordic	231.6	1.2	53.8	1.3	57.8	1.1	40.7
(free)	3602.7	0.9	3.8	0.3	6.1	0.7	-4.5
Pacific	5246.4	0.9	3.5	0.3	8.9	0.7	-5.2
Far East	332.3	1.5	13.2	1.0	16.0	1.4	3.1
Australia	1632.3	1.1	147.6	1.5	115.8	0.9	128.9
Austria	91.8	-0.9	19.1	-0.5	3.1	-1.0	9.1
Belgium	538.9	0.3	22.1	0.4	11.4	0.1	11.1
Canada	1279.8	-0.2	55.0	0.0	35.3	-0.4	42.0
Denmark	118.5	-0.4	0.6	-0.2	-11.8	-0.8	-7.1
Finland	2.8	-1.2	24.7	-1.0	-1.4	-1.4	-1.4
(free)	747.5	0.5	38.1	0.4	20.7	0.1	27.4
France	89.6	1.5	58.1	1.9	37.9	1.3	44.3
Germany	2098.4	0.6	9.6	0.4	0.5	0.4	0.4
Hong Kong	374.4	-0.3	27.8	-0.2	12.4	-0.5	17.7
Italy	5581.5	0.9	2.8	0.3	8.7	0.7	-5.6
Japan	867.5	1.1	35.1	1.4	17.6	0.9	23.8
Netherlands	97.0	0.3	13.3	-0.8	8.9	0.1	3.8
New Zealand	1394.7	2.5	67.4	2.7	52.6	2.3	53.8
Norway	239.3	2.5	85.3	2.8	50.5	2.3	51.4
(free)	1954.1	0.1	54.0	0.0	38.2	0.0	41.1
Sing/Malay	213.2	-0.4	7.5	-0.1	-4.8	-0.6	-11.2
Spain	168.2	2.1	39.8	2.0	28.5	1.9	28.7
(free)	236.6	2.2	50.4	2.1	38.9	2.0	37.5
Sweden	884.8	0.8	35.0	0.2	22.4	0.4	23.7
(free)	135.8	0.8	37.0	0.3	24.2	0.4	25.5
Switzerland	682.4	0.4	24.9	0.4	24.9	0.3	14.5
UK	443.5	0.6	30.6	0.5	19.8	0.5	19.8
USA							

EQUITIES	Midstate Gp (75p)	7
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Abnatis Tab (100p)	98 + 1	Orchard Wreody	9
Analysis Hidge	76	Plasma Mining	8
Anglo Park	75	PolySource	9
Anglo Scan Inv Tst	92	Proctect (100)	11
Blocure (42p)	37 - 2	Sage (Co) (10p)	35
Blue Line	200	Storm Group (25p)	32
Charwell	200	Surrey Jo	9
Chatham Radio (210p)	267 - 3	Sutor Water	9
Citybond	17 - 1	TR High Inc (520p)	108 +
Clifford Leeward Leds (27p)	17 - 1	See main listing for Water ahead	
East Surrey Water	214		
Eurochem	380		
Eurochem	125		
Frost Philp (50p)	40		
Garmore Elmore	67		
Groene Dev (100p)	12		
Image Stores (300p)	106		
Jan & New York (100p)	100 + 1		
Malaysian Energy	640 - 2		
Merlin Green Units	800		

First Decision	Last Decision	Last Decision	For Settlement
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Call options were taken out on 25/1/80 Silverminers, Amstrad, Ferranti, Allan Hunt, Colwell, Nu-Swift, Blue Arrow, Gulf Wls, Laing Props.
 Pet & Call: Colwell.
 Pet: Aviva.

FOREIGN EXCHANGE

[illegible][illegible][illegible]

Transocean	1.5958-1.5960	Denmark	6.5365-8.5406	Italy	1265.5-1294.63
Transocean	1.5958-1.5960	W Germany	1.8675-1.8685	Belgium (Com)	38.30-38.35
Transocean	1.5958-1.5960	Switzerland	1.4875-1.4885	Hong Kong	7.8115-7.8125
Transocean	1.5958-1.5960	Netherlands	1.9205-1.9209	Portugal	148.70-149.90
Transocean	1.5958-1.5960	France	5.7350-5.7450	Spain	165.00-166.75
Transocean	1.5958-1.5960	Japan	144.80-144.95	Australia	11.580-11.610

10	Vista	105	112	2.8	2.7	17.0
11	Vista	105	112	2.8	2.7	17.0
12	Vista	105	112	2.8	2.7	17.0
13	Vista	105	112	2.8	2.7	17.0
14	Vista	105	112	2.8	2.7	17.0
15	Vista	105	112	2.8	2.7	17.0
16	Vista	105	112	2.8	2.7	17.0
17	Vista	105	112	2.8	2.7	17.0
18	Vista	105	112	2.8	2.7	17.0
19	Vista	105	112	2.8	2.7	17.0
20	Vista	105	112	2.8	2.7	17.0
21	Vista	105	112	2.8	2.7	17.0
22	Vista	105	112	2.8	2.7	17.0
23	Vista	105	112	2.8	2.7	17.0
24	Vista	105	112	2.8	2.7	17.0
25	Vista	105	112	2.8	2.7	17.0
26	Vista	105	112	2.8	2.7	17.0
27	Vista	105	112	2.8	2.7	17.0
28	Vista	105	112	2.8	2.7	17.0
29	Vista	105	112	2.8	2.7	17.0
30	Vista	105	112	2.8	2.7	17.0
31	Vista	105	112	2.8	2.7	17.0
32	Vista	105	112	2.8	2.7	17.0
33	Vista	105	112	2.8	2.7	17.0
34	Vista	105	112	2.8	2.7	17.0
35	Vista	105	112	2.8	2.7	17.0
36	Vista	105	112	2.8	2.7	17.0
37	Vista	105	112	2.8	2.7	17.0
38	Vista	105	112	2.8	2.7	17.0
39	Vista	105	112	2.8	2.7	17.0
40	Vista	105	112	2.8	2.7	17.0
41	Vista	105	112	2.8	2.7	17.0
42	Vista	105	112	2.8	2.7	17.0
43	Vista	105	112	2.8	2.7	17.0
44	Vista	105	112	2.8	2.7	17.0
45	Vista	105	112	2.8	2.7	17.0
46	Vista	105	112	2.8	2.7	17.0
47	Vista	105	112	2.8	2.7	17.0
48	Vista	105	112	2.8	2.7	17.0
49	Vista	105	112	2.8	2.7	17.0
50	Vista	105	112	2.8	2.7	17.0
51	Vista	105	112	2.8	2.7	17.0
52	Vista	105	112	2.8	2.7	17.0
53	Vista	105	112	2.8	2.7	17.0
54	Vista	105	112	2.8	2.7	17.0
55	Vista	105	112	2.8	2.7	17.0
56	Vista	105	112	2.8	2.7	17.0
57	Vista	105	112	2.8	2.7	17.0
58	Vista	105	112	2.8	2.7	17.0
59	Vista	105	112	2.8	2.7	17.0
60	Vista	105	112	2.8	2.7	17.0
61	Vista	105	112	2.8	2.7	17.0
62	Vista	105	112	2.8	2.7	17.0
63	Vista	105	112	2.8	2.7	17.0
64	Vista	105	112	2.8	2.7	17.0
65	Vista	105	112	2.8	2.7	17.0
66	Vista	105	112	2.8	2.7	17.0
67	Vista	105	112	2.8	2.7	17.0
68	Vista	105	112	2.8	2.7	17.0
69	Vista	105	112	2.8	2.7	17.0
70	Vista	105	112	2.8	2.7	17.0

Norway	0.6260-0.5300	Rates supplied by Barclays Bank GTS and Exel.
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12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

AG	Widson	100	87	1.3	5.8	8.5
101	Westport	115	123	0.7	0.7	73.4
101	West Scotland	115	120	0.7	0.7	73.4
101	West Scotland	115	120	0.7	0.7	73.4

82	Whenny Mackay	71	80	..	8.5	8.1	8.6	Treasury bills (discount %)	Call 8 1/2-7 1/2
81	Wilder (H)	15	18	..	..	..	..	Buying: 2 mth - 14% 3 mth - 14 1/2%	Call 7 1/2-7 1/4
80	Wilson (H)	15	18	..	..	..	..	Selling: 2 mth - 14 1/2% 3 mth - 14 1/2%	Call 7 1/2-7 1/4
50	Wood John & Co	68	73	..	8.5	8.5	8.5		

70	100	150	200	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000
100	150	200	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050
150	200	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100
200	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150
250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200
300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250
350	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300
400	450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350
450	500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400
500	550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450
550	600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500
600	650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550
650	700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600
700	750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650
750	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700
800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750
850	900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800
900	950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850
950	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900
1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950
1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000
1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050
1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100
1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150
1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200
1300	1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250
1350	1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300
1400	1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350
1450	1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400
1500	1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450
1550	1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500
1600	1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550
1650	1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600
1700	1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650
1750	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700
1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750
1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800
1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850
1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900
2000	2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950
2050	2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000
2100	2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050
2150	2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100
2200	2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150
2250	2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200
2300	2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250
2350	2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300
2400	2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350
2450	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400
2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450
2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500
2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550
2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600
2700	2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650
2750	2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700
2800	2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750
2850	2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800
2900	2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850
2950	3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900
3000	3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950
3050	3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000
3100	3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050
3150	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100
3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100	4150
3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100	4150	4200
3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100	4150	4200	4250
3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100	4150	4200	4250	4300
3400	3450	3500	3550	3600	3650	3700	3750	3800	3850	3900	3950	4000	4050	4100	4150	4200	4250	4300	4350
3450	3500	3550	3600	3650	3700	375													

[illegible]

1/16 Year	Group	173	176	..	2.8	3.8	8.7
1/16 Year	Group	146	16	..	3.8	23.2	3.8

6 mnt: 15%-15% 9 mnt: 15%-15% 12 mnt: 15%-15%

Local Authority Deposits (%)

2 day: 14% 7 day: 14% 1 mnt: 15%

GOLD BULLION (Per ounce)

Open: \$417.75-418.25 Close: \$414.75-415.25

3 mth: 15% 6 mth: 15% 12 mth: 15%
Sterling Cds (%): 1 mth: 15% 15
3 mth: 15% 6 mth: 15% 12 mth: 15-14%

3 mth: 8.25-8.20 6 mth: 8.30-8.25 12 mth: 8.45-8.40
 Building Society Cdn (%)

Old Sovereign \$87.50-99.50 (\$50.00-60.00)

THIRD MARKET Fixed Rate Sterling Export Finance. Make-up day: Dec 29, 1989. Agreed rates Jan 24, 1990 to Feb 25, 1990. Excesses 1: 15.00 ppc. next. Subsequent 1.5% 15.75 ppc.

Reference rate Dec 1, 1989 to Dec 29, 1989 .
Scheme IV & V: 15.164 per cent.

74	ASB Special	70	77	..	1.3	1.5	15.4
83	2 Amerco	4	8	..	..	..	..
16	50 Andromeda Plus	47	52	..	..	..	..

LONDON FINANCIAL FUTURES

00	100	100	100	100	100		100	100	100	100	100
01	100	100	100	100	100		100	100	100	100	100
02	100	100	100	100	100		100	100	100	100	100
03	100	100	100	100	100		100	100	100	100	100
04	100	100	100	100	100		100	100	100	100	100
05	100	100	100	100	100		100	100	100	100	100
06	100	100	100	100	100		100	100	100	100	100
07	100	100	100	100	100		100	100	100	100	100
08	100	100	100	100	100		100	100	100	100	100
09	100	100	100	100	100		100	100	100	100	100
10	100	100	100	100	100		100	100	100	100	100
11	100	100	100	100	100		100	100	100	100	100
12	100	100	100	100	100		100	100	100	100	100
13	100	100	100	100	100		100	100	100	100	100
14	100	100	100	100	100		100	100	100	100	100
15	100	100	100	100	100		100	100	100	100	100
16	100	100	100	100	100		100	100	100	100	100
17	100	100	100	100	100		100	100	100	100	100
18	100	100	100	100	100		100	100	100	100	100
19	100	100	100	100	100		100	100	100	100	100
20	100	100	100	100	100		100	100	100	100	100
21	100	100	100	100	100		100	100	100	100	100
22	100	100	100	100	100		100	100	100	100	100
23	100	100	100	100	100		100	100	100	100	100
24	100	100	100	100	100		100	100	100	100	100
25	100	100	100	100	100		100	100	100	100	100
26	100	100	100	100	100		100	100	100	100	100
27	100	100	100	100	100		100	100	100	100	100
28	100	100	100	100	100		100	100	100	100	100
29	100	100	100	100	100		100	100	100	100	100
30	100	100	100	100	100		100	100	100	100	100
31	100	100	100	100	100		100	100	100	100	100
32	100	100	100	100	100		100	100	100	100	100
33	100	100	100	100	100		100	100	100	100	100
34	100	100	100	100	100		100	100	100	100	100
35	100	100	100	100	100		100	100	100	100	100
36	100	100	100	100	100		100	100	100	100	100
37	100	100	100	100	100		100	100	100	100	100
38	100	100	100	100	100		100	100	100	100	100
39	100	100	100	100	100		100	100	100	100	100
40	100	100	100	100	100		100	100	100	100	100
41	100	100	100	100	100		100	100	100	100	100

13										14										15										16										17										18										19										20										21										22										23										24										25										26										27										28										29										30										31										32										33										34										35										36										37										38										39										40										41										42										43										44										45										46										47										48										49										50										51										52										53										54										55										56										57										58										59										60										61										62										63										64										65										66										67										68										69										70										71										72										73										74										75										76										77										78										79										80										81										82										83										84										85										86										87										88										89										90										91										92										93										94										95										96										97										98										99										100									
13										14										15										16										17										18										19										20										21										22										23										24										25										26										27										28										29										30										31										32										33										34										35										36										37										38										39										40										41										42										43										44										45										46										47										48										49										50										51										52										53										54										55										56										57										58										59										60										61										62										63										64										65										66										67										68										69										70										71										72										73										74										75										76										77										78										79										80										81										82										83										84										85										86										87										88										89										90										91										92										93										94										95										96										97										98										99										100									
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79	Low	75	78							Lowest bid	67-28	66-13	Previous open interest	33330
45	Leading Lr	45	48	-1	3.3	70	7.8			Mar 90 ---	67-23	66-12	28250	
70	Ingrains	68	75	..			15.3							
53	Pentacostate	53	58	..	2.5	45	11.9							

150	Royal Coverage	234	234	..	7.3	3.2	12.5	Jun 90	97.00	97.11	97.00	97.01	1196	Mar 90	97.30	97.29	97.41	97.48	311
150	Sanco	133	143	+1	3.8	2.6	8.5	Mar 90	94.42	94.45	94.42	94.45	42012	Mar 90	88.00	88.20	88.03	88.09	20958
150	UPL	50	60	..	3.7	6.7	10.3	Three Month Euro DM	Previous open interest	34589	German Govt Bond	Previous open interest	40105						
150		120	130	..	8.7	6.3	2.6	Mar 90	94.42	94.45	94.42	94.45	42012	Mar 90	88.00	88.20	88.03	88.09	20958

129	Video	129	532	+1	..	..	1.0	Jun 90	—	91.40	91.40	91.39	91.43	1642	Jun 90	—	88.35	88.38	88.28	88.28	339
0	60	Video	80	87	+1	..	..	—	Jun 90	—	91.40	91.43	91.39	91.43	—	—	—	—	—	—	—

COMMODITIES

ICIS-LOR Group High winds in Europe caused concern about loadings at North Sea	LONDON FOX COCOA 1,400,000 lbs	MEET Futures Dec 700,000	LONDON METAL EXCHANGE Official prices/volumes previous day Rudolf Wotfi
------------------------------------------------------------------------------------------	---------------------------------------------	------------------------------------	--------------------------------------------------------------------------------------

(E)onna	Cash	3 month	Vol	Tone
Owner Orls A	1980-0-1981-0	1975-0-1978-0	334200	Firm

CRAUDE OILS (assessed) (BBL FOB)		SPE FUTURE	Sep 877-875	Voi 30333	Gruppen 679-678	Feb 679-678	Jan 679-678			
rent Phys	20.45	+30			Lead	6570-5590	6990-5720	49700	Quiet	
5 day Feb	20.45	+35	GAS OIL AMT Futures	COFFEE	AMT Futures					
	20.45			Sep 574-570	Sep 590-518	Zinc Hi Qdr*	1282.0-1284.0	1252.0-1256.0	10700	Quiet

5 day Mar	19.70	+30	Feb	189.50-188.25	Mar	187-186	Nov 834-836	Zinc Spec M ¹	1285.0-1286.0	1282.0-1283.0	147500	Steady
11 Mar	22.00	+30	Mar	186.50-186.25	May	834-832	Jan 835-835	Tin ¹	6570-6580	6690-6720	9240	Quiet
17 Apr	21.30	+30	Apr	182.00-181.50	Jul	835-835	Unl spec					

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Term Gas .15	+4	212-214	+4
Oil CEC	+5	172-174	+5
Oil F.O.R.	E	176-178	E
Aug		182.00-99.75	
Vol		11629	
Mar 336.0-35.8			
May 336.4-36.0			
Aug 334.0-33.8			
Dec 321.0-29.8			
Mar 298.0-98.8			
May 298.0-98.8			

LONDON MEAT
CATTLE / HOGS / SHEEP

MEAT & LIVESTOCK COMMISSION

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<u>Wheat</u>	+2	1984-1985	+2	Mar 7522	Mr 114.40	Mib 118.40	Jn 120.20	Feb	104.5	109.3	(kg/m)	Pg	Samp	Cases
<u>Rice</u>	-			Sp 105.70	Nv 106.65	Ja 112.40	Apr	110.8	113.5	GB (+/-)		88.14	204.10	111.85
<u>LONDON POTATO</u>				HARLEY close (2T)		Vol 148			100.5	112.0	GB (+/-)	+8.87	+5.07	+0.68

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90	H 1630-1618	Low	Close 1630	Feb	143.3	143.5	SUTABEAN	AMT Futures	Jan	unq	unq	unq	Scotland (%)	n/a	-84.4	-56.5
90	H 1655-1640	Low	Close 1652	Apr	198.0	200.3	Feb 132.0-33.5	Oct 132.0-35.0	Feb	unq	unq	unq	Scotland (p)	n/a	198.22	108.45
90	H 1405-1380	Low	Close 1404	May	224.3	224.0	Apr 134.0-35.0	Dec 137.0-40.0	Mar	unq	unq	unq	Scotland (1-1)	n/a	+3.47	+2.88

259 lots	Open Interest 50229	Nov	107.0	103.5	Jun 130.0-32.0	Feb 130.0-40.0	Vol 150	Vol Pig-17 Cattle-0	* Estimated daily average weight
y cargo index 1643 -7				Vol 48	Aug 130.0-32.0				

A copy of this document, which comprises listing particulars relating to Goldsmiths Group Plc in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales in accordance with section 149 of that Act. Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of Goldsmiths Group Plc, issued and to be issued, to be admitted to the Official List. It is expected that admission of the ordinary shares to the Official List will become effective and that dealings will commence on 9th February, 1990.

The Directors of Goldsmiths Group Plc, whose names appear in this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors of Goldsmiths Group Plc (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Goldsmiths

G R O U P

Goldsmiths Group Plc

(Incorporated and Registered in England and Wales; registered no. 2117655)

Offer by

Hoare Govett Corporate Finance Limited

of 17,105,208 ordinary shares of 10p each at 150p per share payable in full on application

DIRECTORS AND ADVISERS

Directors
Jurek Stanislaw Piasecki (Chairman and Chief Executive)
Paul Richard Goad (Sales Director)
James Edward West (Marketing Director)
Stephen Clive Sargent (Finance Director)
Eric Walters (Non-Executive)
Colin Clive Gregory (Non-Executive)

all of
Goldsmiths House
Elland Road
Braunstone
Leicester LE3 1TT

Secretary
Stephen Clive Sargent, BSc, FCA

Registered Office
Goldsmiths House
Elland Road
Braunstone
Leicester LE3 1TT

Financial Advisers and Stockbrokers
Hoare Govett
Corporate Finance Limited
4 Broadgate
London EC2M 7LE

Auditors and Reporting Accountants
Ernst & Young
Chartered Accountants
Norham House
12 New Bridge Street West
Newcastle upon Tyne NE1 8AD

Solicitors to the Company
Wilkinson Maughan
Sun Alliance House
35 Mosley Street
Newcastle upon Tyne NE1 1XX

Solicitors to the Offer
Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Resolving Bankers
National Westminster Bank PLC
New Issues Department
PO Box No. 33
153-157 Commercial Road
London E1 2DB

Registration
National Westminster Bank PLC
Registrar Department
PO Box No. 82
Cannon House
Redcliffe Way
Bristol BS99 7NH

Principal Bankers
National Westminster Bank PLC
87 Grey Street
Newcastle upon Tyne
NE1 6ER

DEFINITIONS

"the Company"	Goldsmiths Group Plc
"the Group" or "Goldsmiths"	following the management buy-out, the Company and all or any of its subsidiaries before the management buy-out, all or any of the Company's subsidiaries engaged in the jewellery business
"the Diversified Group"	the Group together with those of its subsidiaries which, before the management buy-out, were engaged in the businesses of hotels, turf accounting and the retailing of insurance services
"the Directors"	the Directors of the Company
"Hoare Govett"	Hoare Govett Corporate Finance Limited
"ordinary shares"	ordinary shares of 10p each in the Company
"Preference Shares"	the Redeemable Preference Shares of £1 each of the Company
"Redeemable "B" Shares"	the Redeemable "B" Ordinary Shares of 1p each of the Company
"the management buy-out" or "the buy-out"	the acquisition of the Group by the Company as described herein
"Oriflame"	Oriflame U.K. Holdings Limited
"Subscription Shares"	the 12,066,667 new ordinary shares to be offered for subscription on behalf of the Company pursuant to the Offer
"the Offer"	the offer by Hoare Govett of 17,105,208 ordinary shares described in this document
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Sale Shares"	the 5,038,541 existing ordinary shares to be offered for sale on behalf of Barclaytrust International Limited pursuant to the Offer
"Offer Price"	the price of 150p per share being the price at which ordinary shares are being offered pursuant to the Offer
"Schroder Ventures"	Schroder Venture Advisers
"Offer Shares"	the Subscription Shares and the Sale Shares
"like for like"	a comparison between two periods by reference to only those branches which have traded throughout both periods

Share Capital following the Offer

Authorised £3,200,000	In ordinary shares of 10p each	Issued and to be issued, fully paid £2,192,666.70
The ordinary shares now being offered will rank <i>pari passu</i> in all respects with all other existing ordinary shares in Goldsmiths Group Plc, and will rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of Goldsmiths Group Plc.		

The application lists for the ordinary shares now being offered will open at 10.00am on Friday, 2nd February, 1990 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.

Indebtedness

At the close of business on 31st December, 1989, Goldsmiths Group Plc and its subsidiaries had outstanding total indebtedness of £22.09 million comprising £19.00 million secured bank borrowings, unsecured loan notes of £3.0 million and commitments under finance leases of £92,000.

Save as aforesaid, and apart from intra-group indebtedness, neither Goldsmiths Group Plc nor any of its subsidiaries had at that date any loan capital (including term loans) outstanding or created but unused, or any mortgages, charges, borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase or finance lease commitments or guarantees or other material contingent liabilities.

At the close of business on the same date, Goldsmiths Group Plc and its subsidiaries had cash balances of £4.30 million.

KEY INFORMATION

The following should be read in conjunction with the full text of this document from which it is derived.

SUMMARY

Business and Market Position

Goldsmiths are leading specialist multiple retailers of quality jewellery and watches in the United Kingdom operating through 104 branches located throughout Great Britain. It is regarded by Cartier, Ebel and Omega as the largest single distribution network for their watches in the UK and by Rolex as having the second largest number of retail outlets in the UK for its watches.

The average amount of a Goldsmiths' customer purchase in its 1988/89 financial period was £103 – more than double that of Zales/Ernest Jones*, which is perceived to be one of its main competitors, and more than five times that of the Ratners* chain of shops, the dominant force in the lower range of the jewellery market. The highest average customer purchase for a single Goldsmiths branch in this period was £657.

*(Zales/Ernest Jones and Ratners are both chains of stores within the Ratners Group. Source: 1989 Annual Accounts of Ratners Group plc).

Marketing Strategy

Goldsmiths has defined two distinct markets which it calls "traditional" and "contemporary". The traditional market comprises more mature customers typically employed in professional and managerial occupations. The contemporary market comprises primarily younger middle management. Goldsmiths has targeted these markets by developing two distinct retailing formulae based upon branch design and product range.

Corporate Profile

The Group has just completed the first stage of a corporate identity programme designed to establish "Goldsmiths" and "Walker & Hall" as the respective trading names of the majority of its traditional and contemporary branches and thereby consolidate the Group's reputation for quality and service in each of its markets.

Able and Motivated Staff

The Group seeks to attract, motivate and retain high calibre staff. Remuneration for all permanent staff includes performance related bonuses. The Company has two share option schemes and has reserved up to 10 per cent. of the ordinary shares to be sold or subscribed in the Offer for employee applications.

Profit Forecast

The Directors forecast that, on the bases and assumptions set out below, profit on ordinary activities before taxation and extraordinary items for the year ending 3rd March, 1990 will not be less than £4.02 million. (Eleven months ended 28th February, 1989: £2.148 million). This represents an increase of 87 per cent. over 1988/1989 (71 per cent. on an annualised basis). The pro forma earnings per ordinary share for that year is expected to be 13.4p.

Current Trading and Prospects

As demonstrated by current trading and its profit forecast, the Group has prospered in a period of general downturn in the retail sector. The Directors believe that consumer demand in the middle and upper ranges of the retail jewellery market will continue to outperform the retail sector as a whole and that the Group's position in each of these ranges leaves it well placed for future expansion. Furthermore new entrants to these markets may be deterred by the high capital costs of market entry which they would face and the stringent quality standards which leading watch manufacturers require of their authorised sales agents. The Group has been strongly cash generative from trading in its financial year to date and the Directors believe it will continue to be strongly cash generative in the future.

Trading Record

The Group's trading and profit record in respect of its continuing jewellery retailing activities for the three years to 28th February, 1987, the 13 months ended 31st March, 1988, the 11 months ended 28th February, 1989 and the six months ended 2nd September, 1989, which has been extracted from the Accountants' Report, is set out below:

	13 months ended 31st March 1988	11 months ended 28th February 1989	6 months ended 2nd September 1989
Years ended 28th February	1985 £'000	1986 £'000	1987 £'000
Turnover	14,653	19,517	22,659
Net operating income	1,418	1,560	857
Profit before exceptional items and taxation	1,091	1,407	440
	1,652	2,148	880

Goldsmiths has significantly improved its trading performance in the six months to 2nd September, 1989 compared with the same period in the previous year. Turnover (excluding branches closed or targeted for closure during the 1988/89 financial period and subsequently closed) rose significantly and net operating income very substantially. Trading in the retail jewellery industry has traditionally shown a marked seasonal bias with substantial sales in the Christmas period. The impact of this seasonality is reflected in the forecast net operating income of not less than £6.00 million for the full year to 3rd March, 1990.

Profit before exceptional items and taxation in 1984/1985 is stated before an exceptional profit of £1.523 million arising from the disposal of certain tangible fixed assets. Profit before exceptional items and taxation in 1987/1988 is stated before a net exceptional charge of £1.132 million relating to the rationalisation programme entered into following the management buy-out.

The Group's net operating income in 1986/1987 was adversely affected by a significant write-off of obsolete stock following a review of Group stock, a substantial non-recurring write-down relating to the acquisition of three branches and the very severe weather conditions in January 1987 which reduced sales and substantially reduced profits in that month.

OFFER STATISTICS

Offer Price per share	150p
Number of shares in issue following the Offer	21,927 million
Market capitalisation at the Offer Price	£32.69 million
Percentage of the enlarged share capital now being offered	78.0 per cent.
Net proceeds of the Offer receivable by the Company	£16.95 million
Pro forma forecast earnings per ordinary share for the year ending 3rd March, 1990	13.6p
Pro forma price-earnings ratio at the Offer Price	11.0
Notional net dividend for the year ending 3rd March, 1990	5.1p
Notional gross dividend yield at the Offer Price	4.5 per cent.
Notional interest cover for the year ending 3rd March, 1990	4.3 times

Note: Attention is drawn to the bases and methods of calculation of the pro forma forecast earnings per ordinary share, price-earnings ratio and dividend yield which are set out in Profit Forecast and Dividends respectively below.

TIMETABLE

Closing date for receipt of applications	10am on Friday, 2nd February, 1990
Despatch of letters of acceptance	Thursday, 8th February, 1990
Dealings expected to commence	Friday, 9th February, 1990
Last date for splitting	Wednesday, 7th March, 1990
Last date for registration of renunciation	Friday, 9th March, 1990
Despatch of definitive share certificates	Friday, 6th April, 1990

HISTORY

Jewellery Business

The Group's trading history can be traced back to 1892 when it commenced business as a family run jewellers in Newcastle upon Tyne, although an acquired branch, Reids of Newcastle, has a trading history reaching back to 1778. When Jurek Piasecki joined the Group in 1983 it had 23 branches located primarily in the North of England. Between 1983 and 1987 the Group greatly expanded its jewellery business through acquisitions and at the end of this period had over 100 branches located throughout Great Britain. The most significant of these acquisitions was that of Walker & Hall and its 42 outlets in 1984. Shortly following this acquisition the Group moved its head office from Newcastle upon Tyne to Walker & Hall's purpose built premises in Leicester.

Corporate History

The business of the Group was originally conducted as a partnership. It acquired corporate status in 1934 and a public quotation in 1960. Between 1978 and 1985 the Group diversified by a series of acquisitions into turf accountants, hotels and the retailing of insurance services. In 1985 the turf accounting business was sold. During 1987 the Diversified Group was acquired by Oriflame and consequently lost its listing on The Stock Exchange in that year. Following the acquisition, Oriflame reviewed the Diversified Group's operations and disposed of its remaining non-jewellery businesses. In 1989 the Company changed its name to Goldsmiths Group Limited and re-registered as a public limited company on 21st December 1989.

The Management Buy-Out

In April 1988 a team comprising senior management of the Group led by Jurek Piasecki, the Group's Chairman and Chief Executive, completed the management buy-out from Oriflame for a price of approximately £30 million (net of inter-company debt of £13 million repaid to Goldsmiths). The buy-out was supported by investment funds advised by Schroder Ventures through an equity contribution of £8 million and through syndicated loan facilities of £24 million led by Standard Chartered Bank.

Progress Since the Buy-out

In the period following the buy-out the management has continued to improve the Group's financial and managerial controls and the Group's profits have increased significantly. It has also implemented a major restructuring of the Group's branch network by closing branches which were either insufficiently profitable or inconsistent with the Group's market position. Twenty two branches have been closed and 13 branches acquired or opened since the buy-out.

BUSINESS

Introduction

Goldsmiths are leading specialist multiple retailers of quality jewellery and watches in the United Kingdom and are regarded by Cartier, Ebel and Omega as the largest single distribution network for their watches in the UK and by Rolex as having the second largest number of retail outlets in the UK for its watches.

The Company is the holding company of the Group. Goldsmiths (Jewellers) Limited is the Group's principal property holding company and Northern Goldsmiths Limited the Group's retail jewellery trading subsidiary.

The marketing strategy of the Group is to offer a range of quality watches and jewellery to the upper/middle market segments. The Group achieves this by clearly targeting two distinct types of customer and serving them through a network of 104 branches located throughout Great Britain. Goldsmiths characterises its branches as being either "traditional" or "contemporary" according to the different markets which they serve. Traditional and contemporary branches are designed and furnished to create two different atmospheres. Traditional branches generally have a period look featuring subdued lighting, rich colours, dark wood panelling and seating areas. Contemporary branches tend to be of more modern design often featuring fresh stylish colours, brighter lighting and pale softwoods.

The Group devotes considerable capital expenditure to maintaining and improving its branch network. In the financial year to date it has spent approximately £1.8 million on refurbishing existing, and opening new, branches and plans to spend another £2.2 million in the next financial year. During the Group's 1987/1988 and 1988/1989 financial periods £1.1 million and £659,000 were spent respectively on these items.

Goldsmiths Group Plc

BRANCH NETWORK

The following map shows the locations of the Group's 51 traditional and 53 contemporary branches. A full list of their addresses is set out below.



LIST OF BRANCHES

Aberdeen
Alderley Edge
Altrincham
Barrow-in-Furness
Bath
Berwick-upon-Tweed
Bolton
Bradford
Bristol
Bury St. Edmunds
Cambridge
Canterbury
Cardiff
Carlisle
Carmarthen
Chelmsford
Cheltenham
Chester
Cirencester
Croydon
Darlington
Dewsbury
Doncaster
Dudley
Eastbourne
Eltham
Esher
Exeter
Farnham
Fleet
Gateshead
Glasgow
Grantham
Grimsby
Guildford
Hale
Harrogate
Henley
Hull
Ipswich
Kettering
Kilmarnock
Knutsford
Leek
Leicester
Llandudno
London
London
Middlesbrough
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
North Shields
Norwich
Nottingham
Nottingham
Orpington
Oswestry
Oxford
Penrith
Plymouth
Pontypridd
Port Talbot
Reading
Rhyll
Rugby
Scarborough
Sheffield
Shipley
Shrewsbury
Solihull
Southend
Southsea
Stirling
Stockton
Stratford
Sunderland
Sutton
Tamworth
Tonbridge
Torquay
Trowbridge
Tunbridge Wells
Tunbridge Wells
Wakefield
Walsall
Warrington
Welling
Weston-super-Mare
Wigan
Wilmslow
Witham
Worthing
Wrexham

Goldsmiths
J. P. Connolly
Walker & Hall
Story The Jewellers
Alfred Chilloott & Co.
Walker & Hall
Walker & Hall
Fattorini & Sons
Goldsmiths
Walter Bull & Son
Alfred Chilloott & Co.
Walker & Hall
Munsey & Co.
Walker & Hall
Goldsmiths
Goldsmiths
Walker & Hall
W. & G. Webber
Alfred Chilloott & Co.
Brookes
Stradings
Walker & Hall
Northern Goldsmiths
F. Diss
Goldsmiths
Walker & Hall
Walker & Hall
Walker & Hall
J. R. Barnsdall
Goldsmiths
Mitchells of Exeter
Biggs
Walker & Hall
Northern Goldsmiths
Goldsmiths
Walker & Hall
Harris Jewellers
Goldsmiths
Walker & Hall
Henry Pidduck & Sons
Oddy Wilson & Co.
Brocher & Sydenham
Conleys Jewellers
Walker & Hall
J. A. Haskell
Walker & Hall
Goldsmiths
J. P. Connolly
Greenwood Jewellers
W. F. Goldstraw
Walker & Hall
Goldsmiths
Brookes the Jewellers
Geo. Attenboroughs
Geo. Attenboroughs
Goldsmiths
Walker & Hall
Northern Goldsmiths
Northern Goldsmiths
Reid & Sons
Reid & Sons
Walker & Hall
Haskells
Walker & Hall
William H. May
J. R. Barnsdall
Northern Goldsmiths
Walker & Hall
Goldsmiths
Walker & Hall
Walker & Hall
Walker & Hall
Bracher & Sydenham
Crossleys the Jewellers
Walker & Hall
Walker & Hall
Fattorini & Sons
F. K. Perkin
Robinsons Jewellers
Malcolm Scott
Walker & Hall
W. M. Wright
Goldsmiths
Northern Goldsmiths
Walker & Hall
Walker & Hall
Northern Goldsmiths
J. R. Barnsdall
Goldsmiths
J. R. Barnsdall
Goldsmiths
Alfred Chilloott & Co.
Geo. Farrer
J. R. Barnsdall
F. K. Perkin
Walker & Hall
Walker & Hall
J. R. Barnsdall
The House of Dossor
Goldsmiths
J. & M. Perkin
E. King & Son
Walker Bull
Walker & Hall

50 Union Street, Aberdeen AB1 1BB
29 London Road, Alderley Edge, Cheshire SK9 7JT
35 George Street, Altrincham WA14 1BJ
242 Dalton Road, Barrow-in-Furness, Cumbria LA14 1PW
1 Milson Street, Bath BA1 1DA
72-74 Marygate, Berwick-upon-Tweed, Northumberland TD15 1BN
25 Victoria Square, Bolton, Lancs BL1 1RJ
2 Tynel Street, Bradford BD1 1RN
47A Kirkgate, Bradford BD1 1RA
57 Ship Street, Brighton, Sussex BN1 1AF
47 Park Street, Bristol BS1 5NR
33 Buttermarket, Bury St. Edmunds, Suffolk IP33 1DY
17 Market Hill, Cambridge CB2 3NR
5 Rose Lane, Canterbury CT1 2SJ
16-18 Cathedral Walk, St. David's Centre, Cardiff CF1 4DS
65 English Street, Carlisle CA3 8LD
4 Red Street, Carmarthen, Dyfed SA31 1RA
58 High Street, Chelmsford, Essex CN1 1DH
200 High Street, Cheltenham GL50 3HB
32 Eastgate Row, Chester CH1 1LF
11-17 The Market Place, Cirencester GL7 2PB
c/o Alders Dept. Store, North End, Croydon, Surrey CR9 1SB
9-10 Blackwell Gate, Darlington DL1 5HL
21 Market Place, Dewsbury, West Yorkshire WF13 1AE
7 West Mall, Frenchgate Centre, Doncaster DN1 1ST
Unit L36 Merryhill, Brierley Hill, Dudley, West Midlands DY5 1SY
114 Terminus Road, Eastbourne BN21 3AJ
158 High Street, Eltham, London SE9 1BE
1 The Arcade, High Street, Eltham, London SE9 1BE
47 High Street, Esher KT10 9RL
4 Bedford Street, Exeter, Devon EX1 1LT
Lion & Lamb House, West Street, Farnham, Surrey GU9 7HH
168B, Fleet Road, Fleet, Hampshire GU13 8DA
45-49 Cameron Walk, Metro Centre, Gateshead, Tyne and Wear NE11 9YN
32 Buchanan Street, Glasgow G1 3LB
24 High Street, Grantham, Lincs NG31 6PH
32 Freeman Street, Grimsby, South Humberside DN32 7AG
123 High Street, Guildford, Surrey GU1 3AA
138 High Street, Guildford, Surrey GU1 3AD
Market Square, Hanley, Stoke-on-Trent, Staffs ST1 1PF
4 Kings Road, Harrogate, North Yorkshire HG1 3BT
6 Bell Street, Henley-on-Thames, Oxon RG9 2BG
36 The Prospect Centre, Hull, North Humberside HU2 2PW
46 King Edward Street, Hull, North Humberside HU1 3LD
42 Tavern Street, Ipswich IP1 3AP
32a Newbrough Centre, Kettering, Northants NN16 8JL
9-13 King Street, Kilmarnock KA1 1PU
83 King Street, Knutsford, Cheshire WA16 6DN
3 King Charles Walk, Schofield Centre, Leeds LS1 6JB
23-25 Derby Street, Leek, Staffs ST13 6HN
15 Horsefair Street, Leicester LE1 5BP
80 St. John's Way, St. John's Centre, Liverpool L1 1LH
93 Mostyn Street, Llandudno LL30 2PD
193 Fleet Street, London EC4A 2JQ
207 High Holborn, London WC1V 7BW
62 Linthorpe Road, Middlesbrough, Cleveland TS1 5BX
34 High Friars, Eldon Square, Newcastle upon Tyne NE1 7XQ
1 Blackett Street, Newcastle upon Tyne NE1 5AU
85 Westgate Road, Newcastle upon Tyne NE1 4AS
23 Blackett Street, Newcastle upon Tyne NE1 5BE
126 Grainger Street, Newcastle upon Tyne NE1 5AF
45 Bedford Street, North Shields, Tyne and Wear NE29 6XA
15 Royal Arcade, Norwich, Norfolk NR2 1NQ
159-160 Victoria Centre, Nottingham NG1 3QF
17 Clumber Street, Nottingham NG1 3ED
264 High Street, Orpington, Kent BR6 0NZ
11 Church Street, Oswestry, Salop SY11 2SU
c/o Lewis, Group 28, Dept. 975, 27 Westgate, Oxford OX1 1LP
Unit 6, Angel Square, Penrith, Cumbria CA11 7SE
Jewellery Dept., Plymouth & South Devon Co-Op., Derry Cross, Plymouth, Devon PL1 1HA
110 Taff Street, Pontypridd, Mid Glamorgan, South Wales CF37 1QP
19 The Abernethy Centre, Port Talbot, West Glamorgan SA11 1LZ
24 Queen Victoria Street, Reading, Berkshire RG1 1TG
13-15 High Street, Rhyll, Clwyd, North Wales LL18 1EP
1 Market Mall, The Rugby Centre, Warks CZ21 2JR
118 Westborough, Scarborough, North Yorkshire YO11 1UM
12-14 Barkers Pool, Sheffield S1 2HB
8-10 Westgate & Market Hall, Shipley, West Yorks BD18 3QT
9 The Square, Shrewsbury, Shropshire SY1 1LA
12 Poplar Way, Solihull, West Midlands B91 3BY
c/o Keddies Dept. Store, 134-136 High Street, Southend-on-Sea, Essex SS1 1LJ
70 Palmerston Road, Southsea PO5 3PT
38-42 Thistle Centre, Stirling, Scotland FK8 2ED
1 Lindsay House, Hight Street, Stockton TS18 1SJ
6 Ryemarket, Stourbridge, West Midlands DY8 1HJ
84 The Mall, Stratford Centre, Stratford, London E15 1XQ
18 Fawcett Street, Sunderland, Tyne and Wear SR1 1RH
153 High Street, Sutton, Surrey SM1 1JH
Unit 9, Ankerside Precinct, Tamworth, Staffs B79 7LG
55-55A High Street, Tonbridge, Kent TN9 1SD
39-41 Union Street, Torquay TQ1 1ET
15 Fore Street, Trowbridge, Wiltshire BA14 8HA
19 High Street, Tunbridge Wells, Kent TN11 1UT
4 Calverley Road, Tunbridge Wells, Kent TN11 2TD
1 Cross Square, Wakefield, West Yorkshire WF1 1PD
32 Bradford Mall, Saddlers Centre, Walsall, West Midlands
34 The Mall, Golden Square, Warrington, Cheshire WA1 1QE
105 High Street, Welling, Kent DA16 1TY
81 High Street, Weston-super-Mare BS23 1HE
The Market Place, Wigan, Lancs WN1 1PJ
16 Alderley Road, Wilmslow, Cheshire SK9 1NX
85 High Street, Witham, Essex CM8 1AS
12 South Street, Worthing, Sussex BN11 3HA
2 Regent Street, Wrexham, Chwyd LL11 1SA

Organisation

The Group is controlled from its purpose built head office which comprises approximately 20,000 square feet of office and warehouse space. Ninety-six employees are based there, with overall responsibility for the Group's finance and administration, for marketing and merchandising and for retail operations.

Traditional and Contemporary Markets

Goldsmiths has defined traditional customers as being typically between 35 and 55 years old, employed in professional or managerial occupations and with above average incomes. Traditional customers do not limit their purchases to special occasions such as engagements and weddings but also purchase at other times for their own enjoyment. These customers are believed to be primarily guided in their purchasing decisions by considerations of product quality and exclusivity and are believed to attach importance to receiving a high degree of individual personal service from sales staff.

Traditional branches stock smaller ranges of more expensive and higher quality products. In keeping with the themes of individuality and exclusivity associated with luxury jewellery, the layout of the traditional branches is not uniform, and there are extensive displays of individual pieces. This contrasts with the wide use of mass displays by retail jewellers at the lower end of the market. Goldsmiths has found that generally traditional branches can be situated in off high street locations with their attendant benefits of lower rents and rates. This is due to the loyalty of the branches' customers, their search for high quality and because new custom for traditional branches tends to be derived from personal recommendations from their existing customers.

Contemporary customers are perceived typically to be middle management between 20 and 35 years old, and with above average incomes. In common with traditional customers, they seek product quality, although price is a more significant factor in their purchase decisions and they are more likely to limit their buying to special occasion purchases.

Contemporary branches carry a wider range of items, make greater use of display packs to show their stock, and are usually situated in shopping malls or high street sites to capitalise on passing trade.

The Group's traditional and contemporary customer age group, may follow traditional customers' purchasing patterns.

Merchandise Strategy

Goldsmiths retails high quality jewellery, watches and giftware. The price and quality of its range reflects its market position.

The Directors believe that product differentiation, including brand awareness, is a key element in successful retailing and that jewellery retailing generally lacks these characteristics. There are several methods of achieving product differentiation which include providing fine quality merchandise or, by contrast, selling at cheap prices. Goldsmiths' policy is to differentiate its products by reference to quality rather than price.

In 1983 the Group anticipated major growth in the luxury watch market. From 1983 to 1987 the Group concentrated its sales efforts on quality watches, and sought to increase the number of branches authorised to sell luxury watches. This sales strategy enabled the Group to establish a strong presence in luxury watch retailing and assisted its product differentiation policy by linking the cachet of prestige watches both to the Group's other products and to its branches. During this period the Group succeeded in increasing its sales of luxury watches by more than six times.

By the end of 1987 the Group had expanded to 114 branches and extended its use of range planning, centralised purchasing and stock management. From this base the Group was in a position to implement further marketing initiatives designed to boost sales of other products. For example late in 1988 the Group began marketing "Premier" and "Classic" collections of 18 carat diamond rings with stones of guaranteed weights and with the benefit of a 5 year guarantee. This and other initiatives have resulted in sales of diamond rings rising significantly in the ten month period to 31st December, 1989 compared to the corresponding period in 1988. In the same period Goldsmiths has sought to enhance its image of exclusivity by commissioning limited editions of its merchandise. In gold jewellery, the Group has introduced integrated ranges produced to Goldsmiths' design.

The Group's strength in luxury watches which form a substantial part of Group turnover has also been sustained in the 1987/88, 1988/89 and current financial periods. The Group's watch range includes Cartier, Ebel, Omega, Gucci, Longines and Raymond Weil, although the largest contributor to watch turnover continues to be Rolex. The proportion of watches sold reflects continuing strong demand in this market and the restructuring of the Group's branch network which has resulted in a higher proportion of branches stocking luxury watches.

The Directors believe that the opportunity for other retailers to emulate Goldsmiths' marketing strategy is limited. There is a general lack of available product and, in the Group's experience, manufacturers of prestige watches have sought to preserve their products' reputation by requiring sales outlets to provide the display and marketing image commensurate with their watches' reputation and exclusiveness. This leads the Directors to believe that the number of authorised UK sales outlets for luxury watches is likely to grow very slowly in the foreseeable future.

Merchandise Management

Optimum product mix, cost-effective purchasing and efficient stock management are essential to maximising sales and profitability. The systems operated by the Group in each of these areas include:

Range planning

The Group classifies its overall product range into 19 product groups. Each group is further divided into a number of sub groups and a series of price ranges, for example diamond rings at between £150-£200. The Group plans the variety and quantity of items required to satisfy local demand by identifying the minimum number of styles which will present customers with a satisfactory range of choice for each product within each price category. Sales patterns of branches are monitored closely on a weekly basis to enable the Group to respond to trends in local demand. Effective range planning reduces the risk of a build up of obsolete or slow moving stock and its attendant adverse impact on cash flow and profitability.

Central purchasing and sourcing

Goldsmiths has steadily extended its use of central purchasing since the management buy-out to benefit further from additional purchasing power and to minimise stock holdings. Approximately 65 per cent. of the Group's purchases of stock is now through head office. The Directors anticipate that 85 to 90 per cent. of all Group stock will be centrally purchased by 1995. The Group will retain a measure of closely monitored independent purchasing by traditional branches to foster the Group's reputation for providing individual service and to meet specific local demand.

Central purchasing enables the Group to place bulk orders direct with the manufacturers of gold jewellery and with diamond dealers. As part of its competitive sourcing policy, the Group places orders with suppliers on a worldwide basis.

Stock management

The Group operates a computerised stock management system which provides such facilities as automatic replenishment of stock from the Group's warehouse and automatic re-ordering of products from certain suppliers. In addition the Directors are able to monitor stock movements and sales performance closely and respond quickly to changing sales patterns.

Market Structure

There has been a major concentration of resources within jewellery retailing over the past six years. In 1983 there were 11 major specialist multiple retailers. Since then Ratners Group has achieved major expansion and as at May 1989 had nearly 1,000 specialist jewellery branches in the United Kingdom organised into several chains. Goldsmiths is the second largest multiple retailer with 104 branches followed by Hinds, a privately owned company, which has 82 and Next the Jeweller, with 49. No other multiple retailer has more than 30 branches.

The other participants in the market include Argos (which sells jewellery through virtually all its 200 catalogue shopping outlets), department stores, mail order companies and a large number of independent specialist jewellery and watch retailers.

Goldsmiths' Market Position

Goldsmiths is a specialist multiple retailer of quality jewellery and watches. Ratners and, to a lesser extent, Argos have a substantial share of the retail jewellery market taken as a whole, but their market share is heavily weighted towards the lower end of the market.

The Directors believe that competition between Goldsmiths and Ratners Group is limited. In the jewellery market, this is because Ratners' presence in the middle and upper segments is limited to its Zales/Ernest Jones chain.

In the watch market, Ratners Group competes for sales of prestige brands such as Rolex through its Zales/Ernest Jones and Watches of Switzerland chains. The Zales/Ernest Jones outlets which stock luxury watches are generally situated in different geographical locations from those Goldsmiths' branches retailing these items. Watches of Switzerland has only 21 outlets (of which 12 are based in London) and they are virtually dedicated to retailing watches. In contrast Goldsmiths sells luxury watches and jewellery through the majority of its branches as part of a policy of stocking an integrated product range.

Goldsmiths Group Plc

The average customer purchase in a Zales/Ernest Jones shop in its financial year 1988/89 was £50. This compares with an average customer purchase of £168 in a Goldsmiths traditional branch and £37 in a contemporary branch in the Group's 1988/89 financial period resulting in an overall average purchase of £103.

At the upper end of its market, the Group's branches are generally the leading specialist jewellery and watch retailers operating in their localities and face only limited competition from independent specialist jewellers.

Size of Market and Demographic Trends

Accurate quantification of the jewellery market is difficult and estimates vary. This is due in part to the fragmented nature of jewellery manufacturing and retailing and the non-inclusion of the output of small jewellery manufacturers in relevant government statistics. Within these parameters, the Verdict Research Group estimated the overall retail jewellery and watch market in the United Kingdom in 1988 to be £2,200 million and Mintel estimated it at £1,830 million. Mintel has estimated the market in 1989 to be £2,060 million and has forecast that jewellery sales will grow by 27 per cent. in real terms in the five year period to 1993. It has also forecast that watch sales will grow by eight per cent. in real terms in the same period.

The Assay Offices (the government bodies with responsibility for hallmarking all precious metal items in the UK), have reported that 22.04 million gold items, weighing 77.67 million grammes in aggregate, were hallmarked in the year ended 30th June, 1989, an increase of 17.8 per cent. by number and 23.8 per cent. by weight on the previous year. In the quarter to 30th September, 1989 approximately 5.99 million gold items weighing 22.01 million grammes in aggregate were hallmarked, an increase of 15.7 per cent. by number and 27.3 per cent. by weight on the equivalent 1988 quarter.

Projected changes in the age structure of British society indicate that over the next ten years the traditional and contemporary customer age groups targeted by Goldsmiths will grow substantially. The Government's Department has projected that the 45-54 year old age group will increase from its 1987 level by approximately 19 per cent. or 1.2 million people by 1995 and by approximately 34 per cent. or 1.5 million people by 2000. It has also projected that by 1995 the largest single ten year age group in the United Kingdom will be 25-34 year olds and that by 2000 the largest single ten year age group will be 30-39 year olds.

Corporate Profile

Currently the Group trades under a range of names. Branches trade variously as "Northern Goldsmiths", "Goldsmiths", "Walker & Hall" or their original name prior to being acquired by the Group.

In order to raise the public's awareness of Goldsmiths as a major jewellery retailer the Directors decided over a year ago that the Group would benefit from consolidating its range of trading names into two distinct names for its chains of traditional and contemporary branches.

To achieve this objective they have launched a major corporate identity programme. New stationery and packaging in Goldsmiths' corporate colours and lettering have already been introduced into almost all branches. They feature the Group's new logo which the Directors believe will come to be regarded by the public as a symbol of quality jewellery. From the spring of this year all the Group's traditional branches will trade as "Goldsmiths", with the exception of 21 branches which will continue to operate under their 12 existing trading names because of their strong local associations. Virtually all the contemporary branches will trade as "Walker & Hall".

The Group plans to undertake national advertising designed to raise public awareness of the new corporate profile during this year.

Future Expansion

The Directors currently intend to expand the branch network until it contains 250 branches. This expansion can be accommodated by the Group's existing purchasing, warehousing and distribution systems and will be achieved both by opening new branches and by acquisition. The Directors have identified a number of towns in which to locate new branches and 10 additional branches are planned for this calendar year. Acquisition targets are normally independent, family run, specialist jewellers with an established local following but lacking a successor generation. Following acquisition, Goldsmiths typically improves the performance of such businesses by introducing the Group's stronger product range and providing the benefits of the Group's central purchasing and stock management systems.

Suppliers

Goldsmiths buys its stock from over 400 suppliers both in the UK and overseas. Certain suppliers of jewellery are of particular importance to the Group because of the breadth and quality of their product range but, in the absence of significant product branding for jewellery manufacture, alternative suppliers can easily be found if necessary.

The price of gold and uncut diamonds are important elements in the cost of manufacturing many of the Group's products. The price of uncut diamonds has risen by approximately 8 per cent. on an annualised basis during the past ten years. The price of gold has fluctuated during the same period but overall has risen by approximately 4 per cent. on an annualised basis. The main producers of uncut diamonds are all members of the Central Selling Organisation which maintains an orderly market in these gems.

Close relationships with suppliers are of paramount importance in the prestige watch market where brand names heavily influence customer purchases. The Directors believe that the number of selling outlets in the UK for these premier brands is likely to grow very slowly in the foreseeable future. Goldsmiths enjoys excellent relationships with the suppliers of its prestige watch range and the Directors are confident that these relationships will remain equally strong in the future.

DIRECTORS AND SENIOR EXECUTIVES

Directors

Jurek Piasecki, BSc, Dip BA, C Eng, MI Prod E, aged 45, is the Chairman of the Company and Chief Executive. He joined the Group as its Chief Executive in 1983 from Comet, where he had been a director. A business graduate, he spent two years in a management consultancy specialising in retailing where he undertook numerous assignments for leading retailers in Europe and four years with the Burton Group.

Paul Good, aged 43, is the Sales Director. He joined the Group in 1984 when it acquired Walker & Hall with whom he had worked for 11 years and he was appointed Group Sales Director in 1988. He has spent his entire career in jewellery retailing.

James West, BSc (Econ), aged 42, is the Marketing Director. He joined Goldsmiths in April 1989 having spent 12 years with the US manufacturer of "Wrangler" and "Lee" jeans and other branded clothing, later as managing director of its Asian subsidiary. He also worked with Mr. Piasecki for two years at the Burton Group.

Stephen Sargent, BSc, FCA, aged 36, is the Finance Director. He joined the Group in 1989 and has recently been appointed to the Board. After qualifying as a chartered accountant with Arthur Andersen & Co., he gained management experience with a division of Lorrho and with Bassetts Foods, later as finance director of its largest subsidiary.

Eric Walters, MA, aged 45, is a non-executive Director. He joined the Board at the time of the management buy-out. In 1987 he joined Schroder Ventures, where he specialises in advising on management buy-outs, having been chief executive of Grand Metropolitan's retailing division. He is a non-executive director of a number of other companies, including being non-executive Chairman of the publicly quoted Molyx Holdings.

Clive Gregory, FCA, aged 46, is a non-executive Director. He is the chairman and managing director of Hall's Homes & Gardens, having previously been involved in the management buy-out of that company from Pentos of which he was a director. He is also non-executive director of Servotex, a publicly quoted company. He was appointed as a director on 22nd January, 1990.

Senior Executives

Michael Roys, aged 59, is the Property Director of Goldsmiths (Jewellers) Limited, with responsibility for acquisition and disposal of Group properties and negotiation of leasehold terms. He has spent 27 years with the Group and was its Managing Director prior to Mr Piasecki's appointment.

Brian Adams, ACIS, aged 55, is the Finance Director of Northern Goldsmiths Limited. He joined the Group in 1981 having previously worked for Argill Foods and the Burton Group.

Gordon Baglee, FGA, aged 59, is Merchandise Director of Northern Goldsmiths Limited, with overall responsibility for the Group's central purchasing system. He has spent 42 years with the Group.

Gillian Oliff, BA, ACA, aged 32, is the Chief Accountant of Northern Goldsmiths Limited, and joined the Group from Next in 1987.

Peter Frost, BSc (Econ), aged 33, is Group Data Processing Manager with responsibility for Goldsmiths' computerised financial and stock management systems. He has been with the Group for four years.

EMPLOYEES

As at 31st December, 1989 the Group employed 832 permanent staff. The average number of permanent employees in the Group in each of its last three financial periods was:

	1987	1988	1989
Branch Operations	687	741	716
Administration and other	95	109	104
Total	782	850	820

The Group employs temporary sales staff during its Christmas sales period and 154 such staff were employed over the 1989/90 Christmas period.

Employee Benefits

The Directors recognise that the Group must be able to attract, motivate and retain high calibre staff if it is to continue to be successful. All permanent employees can significantly increase their earnings through performance related bonuses.

The Group operates two share option schemes: an executive scheme under which all branch managers and key executives are eligible for options; and a Save As You Earn scheme in which all eligible employees may participate.

The Group also operates a pension scheme for all its full time employees aged 25 or over, and a separate pension scheme for senior executives.

Staff Training

The Group assists staff to obtain relevant qualifications from the National Association of Goldsmiths ("NAG") and the Gemmological Association by giving study leave and paying training fees. Staff receive a bonus for obtaining these qualifications.

The Group, in conjunction with the NAG, has devised an in-house training scheme for all branch staff which encompasses training in retailing and product knowledge. The training scheme will be introduced later this year.

TRADING RECORD

The following is a summary of the Group's results during the three years to 28th February, 1987, the 13 months ended 31st March, 1988, the 11 months ended 28th February, 1989 and the six months ended 28th February, 1990. This summary has been extracted from, and should be read in conjunction with, the Accountants' Report.

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 28th September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1990 £'000
Turnover	14,683	19,517	22,659	30,996	32,845	16,010
Net operating income	1,418	1,560	857	2,365	4,215	1,596
Profit before exceptional items and taxation	1,091	1,407	440	1,652	2,148	880

During the accounting period ended in 1988, the statutory accounting reference dates of the Group's subsidiaries were changed from 28th February to 31st March, to make their period ends the same as those of Oriflame. During the accounting period following the buy-out, the accounting reference dates were changed back to 28th February.

In each of the five financial periods between 1st March, 1984 and 28th February, 1989, with the exception of the financial period 1986/1987, turnover and net operating income have increased compared to the previous period. Average turnover per branch has more than doubled over this five year period.

Goldsmiths has significantly improved its trading performance in the six months to 28th February, 1990 compared with the same period in the previous year. Turnover (excluding branches closed or targeted for closure during the 1988/89 financial period and subsequently closed) rose significantly and net operating income very substantially.

The Group's net operating income in the 1986/1987 financial period was adversely affected by a significant write-off of obsolete stock following a review of Group stock, a substantial non-recurring write-down relating to the acquisition of three branches and the very severe weather conditions in January 1987 which reduced sales and substantially reduced profits in that month.

PROFIT FORECAST

On the basis of the assumptions set out in "Assumptions and Letters relating to the Profit Forecast" below, the Directors forecast that, in the absence of unforeseen circumstances, profit on ordinary activities before taxation and extraordinary items for the year ending 3rd March, 1990 will be not less than £4.02 million. The following table shows the forecast profit before taxation for the year ending 3rd March, 1990.

	Forecast £'000
Profit before interest and taxation	6,000
Net interest payable	(1,980)
Profit before taxation	4,020
Taxation	(870)
Profit after taxation	3,150
Preference dividend on the Preference Shares	(780)
Earnings attributable to ordinary shareholders	2,370
Number of ordinary shares in issue (million) (note)	10.62
Earnings per ordinary share	22.3p
Price-earnings ratio at the Offer Price	6.7
Interest cover	3.0 times

Note: The number of ordinary shares used in the forecast is the weighted average of the number of ordinary shares in issue during the year after taking account of the capital reorganisation referred to in paragraph 11(iii) of "Statutory and General Information".

1989/90 Pro Forma Earnings Calculation

On completion of the Offer the Group will have undergone a significant change in its capital structure. The Directors therefore consider that certain adjustments ought to be made to the Group's forecast profit to derive a more meaningful basis for measuring profitability and earnings per share on the enlarged equity base. The following table shows the calculation of pro forma earnings for the same period based on the adjustments set out below:

- For the purposes of calculating the earnings per ordinary share in the pro forma earnings calculation, it has been assumed that the Subscription Shares have been in existence throughout the year ending 3rd March, 1990.
- It has been assumed that the redemption of the Preference Shares and the Redeemable "B" Shares took place at the beginning of the Group's 1989/90 financial year. The proceeds of the Offer of the Subscription Shares have been used to redeem Preference Shares at a cost of £6.75 million, redeem the Redeemable "B" Shares at a cost of £0.5 million, to repay £1.5 million of indebtedness to Oriflame and the remainder to reduce bank borrowings.
- The Group's pro forma interest charge has been calculated by reference to the assumed level of the Group's borrowings following the Offer, including the £1.5 million of outstanding indebtedness to Oriflame, and after taking account of cash balances held by the Group throughout the year.
- A tax charge of 35 per cent. has been assumed for the purposes of the pro forma earnings calculation.
- The cost of the dividend on the Preference Shares, which are to be redeemed following the Offer, has been eliminated.

1989/90 Pro Forma Earnings Calculation

	Pro forma £'000
Profit before interest and taxation	6,000
Net interest payable	(1,980)
Profit before taxation	4,020
Taxation	(870)
Profit after taxation and earnings attributable to ordinary shareholders	2,990
Number of ordinary shares in issue (million)	21.93
Earnings per ordinary share	13.6p
Price-earnings ratio at the Offer Price	11.0
Interest cover	4.5 times

PRO FORMA BALANCE SHEET

A pro forma consolidated balance sheet as at 2nd September, 1989 is set out below. It is adjusted to take account of the estimated net proceeds of the offer of the Subscription Shares and the effects of the capital re-organisation described in paragraph 11(viii) of "Statutory and General Information". It shows the pro forma net assets of the Group as at 2nd September, 1989 to be approximately £9,986 million. Based on the number of ordinary shares in issue following completion of the Offer, this would give a pro forma net asset value per ordinary share of 45.5p.

	Actual at 2nd September 1989 £'000	Adjustments £'000	Pro forma at 2nd September 1989 £'000
Tangible fixed assets	7,567	—	7,567
Current assets			
Stocks	20,660	—	20,660
Debtors	2,721	—	2,721
Advance Corporation Tax	556	—	556
	23,937	—	23,937
Creditors: amounts falling due within one year	(11,657)	2,500	(9,157)
Net current assets	12,280	2,500	14,780
Total assets less current liabilities	19,847	2,500	22,347
Creditors: amounts falling due after more than one year	19,561	(7,200)	12,361
Net assets	286	9,700	9,986
Share capital	6,763	(4,570)	2,193
Reserves	(6,477)	14,270	7,793
Shareholders' funds	286	9,700	9,986

The pro forma balance sheet excludes the forecast retained profit of £1,559 million for the six month period ending 3rd March, 1990. If this had been included, the pro forma shareholders' funds would increase to £11,545 million.

At the close of business on 31st December, 1989, the net indebtedness of the Group was £17.79 million. If the net proceeds of the offer of the Subscription Shares had been receivable on that date and applied as proposed, the Group would have had net indebtedness at 31st December, 1989, of £8.09 million, representing 70 per cent. of pro forma shareholders' funds as at 2nd September, 1989 (as adjusted for the forecast retained profit for the six month period ending 3rd March, 1990.)

DIVIDENDS

In respect of the year ending 3rd March, 1990 the Directors expect, in the absence of unforeseen circumstances, to pay a single special dividend, in August 1990 of 1.4p per ordinary share.

Subsequently the Directors intend in respect of each year to declare an interim dividend and to recommend a final dividend which will normally be paid in February and August respectively.

If the ordinary shares of the Company (in issue or conditionally allotted fully paid at the date of this document) had been listed on The Stock Exchange throughout the year ending 3rd March, 1990, the Directors would have expected to recommend, in the absence of unforeseen circumstances, the payment of net dividends totalling 5.1p per ordinary share (equivalent to 6.8p per ordinary share including associated tax credit). At the Offer Price the notional dividend yield would have represented a gross yield of 4.5 per cent. and net dividends would have been covered 2.7 times based on pro forma earnings per ordinary share of 13.6p.

REASONS FOR THE OFFER

The restoration of Goldsmiths to the Official List was a major objective of the management buy-out. Listing will simplify the Company's share structure, reduce its borrowings and increase its flexibility for obtaining finance. These factors will enhance the Group's ability to capitalise on the opportunities in the middle and upper segments of the retail jewellery and watch market.

In addition, achieving a listing will increase public awareness of the Group's activities and add marketability to the shares allotted pursuant to the Company's share option schemes, thereby enabling the Group to motivate existing personnel and to attract and retain the calibre of employees required to ensure the continuing successful growth of its business.

DETAILS OF THE OFFER AND USE OF PROCEEDS

A total of 17,105,208 ordinary shares are being offered by Hoare Govett, at 150p per share. Barclaytrust International Limited on behalf of funds advised by Schroder Ventures is selling 5,038,541 ordinary shares in the Offer, and 12,066,667 of the Offer Shares are Subscription Shares being offered by the Company for subscription. Those shareholders comprising the Group executives who formed the management buy-out team and those subsequently appointed to the Board are retaining all of their ordinary shares.

The estimated net proceeds to the Company of the offer of the Subscription Shares are £16.95 million, of which £6.75 million will be used to redeem the Preference Shares, £0.5 million to redeem the Redeemable "B" Shares, £1.5 million to repay indebtedness to Oriflame, and £8.2 million to repay part of a loan arranged by Standard Chartered Bank. The Directors intend that the remainder of the syndicated Standard Chartered Bank loan will be repaid from cash generated by the Group and new borrowings.

CURRENT TRADING AND PROSPECTS

In the six months to 28th February, 1989 the Group achieved a gross increase in sales of 13 per cent. compared to the same period in 1988, and an increase in like for like sales of 22 per cent.. In the four months to 31st December, 1989 it achieved a gross increase of 15 per cent. in sales, and a like for like increase of 15 per cent.. The Group achieved record sales of £10 million (excluding VAT) in December 1989, a gross increase of 16 per cent. from the previous year and a like for like increase of 14 per cent..

The Group has been strongly cash generative from trading in its financial year to date and the Directors believe it will continue to be strongly cash generative in the future.

The Directors believe that the Group is particularly well placed to continue its expansion both organically and by acquisition for the following reasons:

- the target market of the Group and the jewellery market are expected to grow significantly in the next decade;
- its chosen segments of the retail jewellery market have proved to be resilient (despite current high interest rates) and the Directors believe that they will continue to grow;
- its size, expertise and economies of scale allow it to capitalise on its market position;
- it has a clearly defined acquisition policy and strategy for organic expansion which the admission of the Company's shares to the Official List will help to facilitate; and
- potential competitors would face high capital costs of market entry and the Directors believe that the numbers of UK authorised sales outlets for prestige watches will grow very slowly in the foreseeable future.

On the grounds outlined above the Directors view the prospects of the Group with confidence.

Goldsmiths Group Plc

ACCOUNTANTS' REPORT

Ernst & Young

January 25, 1990

The Directors
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Gentlemen

1 INTRODUCTION

We report in connection with the listing particulars of Goldsmiths Group Plc ("the Company") dated January 25, 1990.

The Company was incorporated as Exacult Limited on March 31, 1987, commenced trading on April 29, 1988 and changed its name to Goldsmiths Group Limited on November 23, 1989. It was re-registered as a public limited company on December 21, 1989 when it became Goldsmiths Group Plc.

Under agreements dated April 28, 1988, the Company acquired from Oriflame U.K. Holdings Limited ("Oriflame") the entire issued share capital of Goldsmiths (Jewellers) Limited ("Jewellers") (previously The Goldsmiths Group Limited) for a total consideration, of approximately £40 million in cash and £3 million in loan notes (out of which Oriflame arranged the repayment of inter-company debt of £13 million to Jewellers). The costs of acquisition were some £1 million. We refer to this acquisition as the "buy-out".

During the period from March 1, 1984 to the date of the buy-out, Jewellers acquired and disposed of various subsidiaries engaged in businesses unconnected with its business of jewellery retailing, in addition to acquiring various subsidiaries engaged in the retail sale of jewellery, watches and associated products.

We refer to the Company and its subsidiaries and, prior to the buy-out, to those subsidiaries of Jewellers engaged, and to those assets of Jewellers used, in the retail sale of jewellery and watches as "Goldsmiths". The other activities of Jewellers and its subsidiaries are referred to as "discontinued activities".

We have examined the audited accounts of the companies comprising Goldsmiths for the five years and six months ended September 2, 1989. We have audited the accounts of the Company since its incorporation and those of its subsidiaries included in Goldsmiths, and acquired pursuant to the buy-out, for the whole of the period covered by this report.

Audited accounts have not been prepared in respect of Goldsmiths for any period subsequent to September 2, 1989. Our work has been carried out in accordance with the Auditing Guidelines: "Prospectuses and the reporting accountant".

The financial information set out below is based upon the audited accounts of the companies comprising Goldsmiths after making such adjustments as we consider necessary.

In our opinion, the financial information gives, for the purposes of the listing particulars dated January 25, 1990, a true and fair view of the profits and source and application of funds of Goldsmiths for each of the three years ended February 28, 1985, 1986 and 1987, the 13 months ended March 31, 1988, the 11 months ended February 28, 1989 and the 6 months ended September 2, 1989 and of the state of affairs of Goldsmiths at the end of each of those periods.

2 ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in arriving at the financial information set out in this report are:

(i) Accounting convention

The financial information is prepared under the historical cost convention as modified by the revaluation of certain properties.

(ii) Basis of presentation

The financial information is presented to show the results and net assets of those companies comprising Goldsmiths. Prior to the buy-out, these comprise the subsidiaries of Jewellers engaged in the retail sale of jewellery and watches. Following the buy-out, these comprise the Company and its subsidiaries. The results and net assets of companies or businesses acquired by the Company or by Jewellers during the period covered by this report are included from their respective dates of acquisition.

The financial information for the 6 months ended September 2, 1989 and the balance sheet at February 28, 1989 are based upon the audited consolidated accounts of the Company and its subsidiaries at those dates. The profit and loss account and statement of source and application of funds for the 11 months ended February 28, 1989 are based upon the audited consolidated accounts of the Company for the 11 months ended February 28, 1989 adjusted to include the trading results relating to Goldsmiths for the period from April 1 to April 28, 1988 (the date of the buy-out).

Financial information for earlier periods is based upon an aggregation of the audited accounts of those subsidiaries of Jewellers which were engaged in the retail sale of jewellery.

(iii) Depreciation and amortisation

It is Goldsmiths' policy to maintain its freehold properties in a state of sound repair and to improve selected properties on a continuing basis. The directors therefore consider that the useful lives of the freehold properties are so long and their residual values are so high that any depreciation would not be significant. Accordingly depreciation is not provided on freehold properties.

The cost of other fixed assets is written off over their expected useful lives as follows:

Leasehold land and buildings	— evenly over period of lease
Leasehold improvements and fixtures	— evenly over period of lease
Plant and equipment	— evenly over the term of the leasing contract
Display equipment	— evenly over five years
Other equipment	— evenly over fifteen years
Motor vehicles	— evenly over five years

(iv) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

(v) Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences to the extent that it is probable that the liability will crystallise.

(vi) Pension benefits

Goldsmiths operates a defined contribution pension scheme and a defined benefit pension scheme.

Defined Contribution Pension Scheme

Pension costs are accounted for as they become payable.

Defined Benefit Pension Scheme

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

(vii) Goodwill

Goodwill, representing the excess of the purchase consideration for the acquisition of subsidiaries and trading shops over the fair value ascribed to the net tangible assets acquired, is charged against reserves in the year of acquisition.

(viii) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to Goldsmiths are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

3 PROFIT AND LOSS ACCOUNTS

The profit and loss accounts of Goldsmiths for the three years ended February 28, 1985, 1986 and 1987, the 13 months ended March 31, 1988, the 11 months ended February 28, 1989 and the 6 months ended September 2, 1989 are set out below:

Note	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Turnover (i)	14,683	19,517	22,659	30,996	32,845	16,010
Cost of sales	13,028	17,436	20,884	28,205	28,214	14,117
Gross profit	1,655	2,081	1,775	2,791	4,631	1,893
Administrative expenses	372	593	970	560	572	432
Other operating income (ii)	1,283	1,488	805	2,231	4,059	1,461
Net operating income (iii)	1,418	1,560	857	2,365	4,215	1,596
Interest receivable	3	44	1	74	110	55
Interest payable (v)	1,421	1,604	858	2,439	4,325	1,651
Exceptional items (vi)	330	197	418	787	2,177	771
Profit before taxation	1,091	1,407	440	1,652	2,148	880
Taxation (vii)	1,523	—	—	(1,132)	—	—
Profit after taxation	2,614	1,407	440	520	2,148	880
Extraordinary items (viii)	221	225	132	(102)	345	69
Profit after extraordinary items	2,393	1,184	308	622	1,803	811
Dividends (ix)	503	43	—	—	—	—
Resained profit (loss)	1,890	1,141	308	622	1,803	811
Earnings per share (x)	24.3p	12.0p	3.1p	6.3p	18.3p	8.2p

The amounts of interest, tax and dividends reflect the different capital structure and ownership which existed prior to the buy-out in April 1988.

NOTES TO THE PROFIT AND LOSS ACCOUNTS:

(i) Turnover

Turnover, all of which arises in the United Kingdom, comprises the invoice value of goods and services supplied by Goldsmiths, exclusive of Value Added Tax and intra-group transactions.

(ii) Other operating income

Other operating income comprises:

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Rents receivable	27	24	33	76	95	57
Profit on sale of investments	4	8	—	—	—	—
Profit on renegotiation of lease	59	—	—	—	—	—
Profit on sale of fixed assets net of related closure costs	—	1	19	58	54	78
Other income	45	39	—	—	7	—
	135	72	52	134	156	135

(iii) Net operating income

Net operating income is stated after charging:

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Directors' emoluments	—	—	—	—	125	113
Auditors' remuneration	23	15	20	27	28	12
Depreciation of tangible fixed assets	199	314	406	622	623	292
Operating lease rentals — equipment	—	—	3	21	72	58
Pension to former director	12	12	12	13	7	—

Up to April 28, 1988, the parent company of Goldsmiths was Jewellers and the duties of the directors of that company covered all of its subsidiaries and not just those acquired pursuant to the buy-out. It is not, therefore, practicable to apportion part of their remuneration to Goldsmiths.

(iv) Staff costs (including directors' emoluments)

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Wages and salaries	1,720	3,245	3,798	4,982	4,543	2,447
Social security costs	158	265	284	380	339	190
Other pension costs	124	156	200	137	75	32
	2,002	3,666	4,282	5,499	4,957	2,669

The average number of employees employed by Goldsmiths was as follows:

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Management	5	17	17	22	21	20
Administration	12	35	43	87	83	76
Staff at branches	284	636	722	741	716	686
	301	688	782	850	820	782

For periods subsequent to February 28, 1987 warehouse and buying employees have been classified as administrative staff in the analysis above. Prior to this date these employees were included within branch staff. During the year ended February 28, 1989 there were 35 warehouse and buying employees included within the branch staff total.

(v) Interest payable

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Bank overdraft interest	326	197	418	228	37	9
Interest payable to holding company	—	—	—	559	—	—
Loan interest	—	—	—	—	2,112	747
Finance lease interest	—	—	—	—	28	14
Other interest	4	—	—	787	2,177	771
	330	197	418	787	2,177	771

Prior to the buy-out, interest charges were incurred by Goldsmiths on external borrowings out of which funding was provided by Goldsmiths to Jewellers and those of Jewellers' subsidiaries not engaged in the retail sale of jewellery by way of interest-free loans. The interest charge since April 28, 1988 reflects the substantial borrowings used to finance the buy-out.

During the 11 months ended February 28, 1989, an interest rate cap policy, effective at 9.6% until May 1990 on borrowings of £17 million, was purchased. In May 1989 the interest rate cap was sold for a capital receipt of £542,000 and an interest-free swap arrangement was entered into until May 1990. Under this arrangement Goldsmiths receives interest on £17 million at a rate equal to the excess of the London Inter Bank Offer Rate ("LIBOR") over 13% or, where LIBOR is less than 13%, Goldsmiths pays interest on £17 million at a rate equal to the excess of 13% over LIBOR. In order that the loan interest £17 million at a rate equal to the excess of 13% over LIBOR, all shown above reflects fully the effects of Goldsmiths' interest rate management, all amounts received or paid in relation to the interest rate cap and the swap arrangement are included under loan interest. The bank loan and overdraft are secured on the assets of the Company. Interest is payable on the overdraft at 1 1/4% above LIBOR and on the bank loan at 1 1/2% above LIBOR.

(vi) Exceptional items

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Profits on disposal of tangible fixed assets	1,523	—	—	81	—	—
Closure provisions and accelerated depreciation	—	—	—	(1,213)	—	—
	1,523	—	—	(1,132)	—	—

The audited accounts for the 11 months ended February 28, 1989 of Northern Goldsmiths Limited ("Northern Goldsmiths"), Jewellers' principal trading subsidiary, included an exceptional charge of £2,573,000 in respect of closure provisions, relating to non-profitable branches which were to be closed in the subsequent period, and other provisions arising from management's reassessment of the business following the buy-out. This exceptional item has been treated as a charge to pre-acquisition profits in Goldsmiths' consolidated accounts for the 11 months ended February 28, 1989.

(vii) Taxation

The taxation charge/(credit), based upon the profit/(loss) on ordinary activities for each year, comprises:

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
UK corporation tax:						
Current year	256	294	71	41	18	—
Adjustments relating to prior years	(20)	(79)	61	(143)	—	69
Group relief receivable	(16)	—	—	—	—	—
Advance Corporation Tax relating to prior years written off	1	8	—	—	—	—
Charge for post acquisition profits relieved by pre-acquisition losses	—	—	—	—	327	—
	221	223	132	(102)	345	69

UK corporation tax payable has been provided at the following rates in each period as follows:

45%	40.4%	35%	35%	35%	35%
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The charge to UK corporation tax on the profits for the periods under review has been reduced by claims to "roll over" chargeable gains arising on disposals of Goldsmiths' assets into assets used in the discontinued activities, the utilisation of capital losses incurred on the disposal of the discontinued activities against chargeable gains arising on Goldsmiths' assets, group relief surrendered to Goldsmiths without payment and timing differences in respect of closure provisions and accelerated capital allowances.

The charge for the 11 months ended February 28, 1989 reflects the corporation tax liability arising on the profits of Jewellers and its subsidiaries from the date of the buy-out to February 28, 1989, as reduced by the losses of the Company for the 11 months ended on that date. For tax purposes, Jewellers and its trading subsidiaries incurred tax losses in the period from April 1, 1988 to the date of the buy-out, which reduced the corporation tax charges on these companies for the 11 months ended February 28, 1989. The difference between the consolidated tax charge and the aggregated tax credit, amounting to some £1.154 million, has been credited to goodwill on acquisition.

(viii) Extraordinary items

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Reorganisation and relocation costs	606	48	—	—	—	—
Attributable taxation	(103)	(5)	—	—	—	—
	503	43	—	—	—	—

(ix) Dividends per share

Dividends per share prior to the buy-out have been calculated upon the basis of the net aggregated dividends declared in each period prior to the buy-out by Jewellers' subsidiaries and on the 9.86 million ordinary shares of 10p each of the Company derived from the bases described in note (x) below. No dividends have been declared in respect of any periods subsequent to the buy-out. Upon this basis, dividends per share were as follows:

	Years ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Dividends per share	2.8p	9.7p	3.1p	1.8p	—	—

(x) Earnings per share

Earnings per ordinary share are based upon the profit after taxation and before extraordinary items for each period and on 9.86 million ordinary shares of 10p each of the issued equity share capital of the Company at September 2, 1989 adjusted for the effects of the passing of the resolutions referred to in note (x) to the balance sheets below.

The figures for earnings per share before and after the buy-out are not comparable because of the effects on the interest charge of external borrowings undertaken by Goldsmiths prior to the buy-out, out of which funding was provided by Goldsmiths to Jewellers and those of Jewellers' subsidiaries not engaged in the retail sale of jewellery by way of interest-free loans, and of the consideration paid and the changed capital structure on the buy-out.

Goldsmiths Group Plc

4 SOURCE AND APPLICATION OF FUNDS

The statements of source and application of funds of Goldsmiths for the three years ended February 28, 1985, 1986 and 1987, the 13 months ended March 31, 1988, the 11 months ended February 28, 1989 and the 6 months ended September 2, 1989 are set out below:

	Year ended 28th February			13 months ended 31st March	11 months ended 28th February	6 months ended 2nd September
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Sources of funds						
from operations:						
Profit on ordinary activities before taxation	2,614	1,407	440	520	2,148	830
Items not involving the movement of funds:						
Depreciation of tangible fixed assets	199	314	406	622	623	292
Profit on disposal of tangible fixed assets (including profits disclosed as exceptional)	(1,519)	8	(19)	(139)	(54)	(78)
Profit on disposal of investments	(4)	(8)	—	—	—	—
Investment written off	—	15	—	—	—	—
Extraordinary items	(503)	(43)	—	—	—	—
Total generated from operations	787	1,690	827	1,003	2,717	1,094
From other sources:						
Disposal of tangible fixed assets	2,169	419	81	588	1,947	1,415
Net proceeds of disposal of investments	(77)	69	1	20	—	—
Issue of shares	—	—	—	—	8,000	—
Net assets of companies transferred into Goldsmiths	4,318	306	302	—	25,000	—
Total sources of funds	7,197	2,384	1,211	1,611	37,664	2,509
Funds applied:						
Purchase of tangible fixed assets	2,141	1,262	2,348	1,212	682	587
Fixed asset additions on transfer into Goldsmiths	1,947	304	33	—	5	430
Transfer of fixed assets from discontinued activities	—	14	93	1,406	210	—
Purchase of goodwill	—	10	—	359	165	80
Goodwill arising on acquisition of subsidiaries	—	—	—	—	134	415
Taxation paid	(76)	612	120	(20)	366	—
Dividends paid	274	957	310	180	—	—
Subsidiaries purchased pursuant to buy-out	—	—	—	—	44,094	—
Increase/(decrease) in working capital (see below)	5,347	3,738	212	2,360	(2,523)	3,602
Increase in net borrowings	(2,436)	(4,533)	(1,805)	(3,886)	(5,469)	(2,605)
Arising from movements in:						
Balances with discontinued activities	(452)	(5,234)	6,676	(12,279)	13,323	—
Medium and long term borrowing	—	—	—	—	(19,500)	—
Cash at bank and in hand	(1,984)	701	(8,481)	8,393	708	(2,605)
	(2,436)	(4,533)	(1,805)	(3,886)	(5,469)	(2,605)
Increase/(decrease) in working capital:	6,283	3,109	2,491	2,382	(241)	3,125
Stocks	605	257	322	844	328	792
Debtors	(1,601)	392	(2,601)	(866)	(2,610)	(315)
Creditors	5,347	3,738	212	2,360	(2,523)	3,602

The effect of the acquisition of subsidiaries since the buy-out has been as follows:

	11 months ended February 28 1989	6 months ended September 2 1989
	£'000	£'000
Fair value of net assets acquired:		
Tangible fixed assets	6	480
Stocks	132	317
Debtors	14	43
Cash	19	3
Trade and other creditors	(143)	(358)
Goodwill	27	455
Consolidation	161	850

5 BALANCE SHEETS

The aggregated balance sheets of companies in Goldsmiths at February 28, 1985, 1986 and 1987 and at March 31, 1988 and the consolidated balance sheets of the Company at February 28 and September 2, 1989 are set out below:

	At February 28			At March 31	At February 28	At September 2
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Tangible fixed assets	5,397	6,230	8,145	9,692	8,073	7,507
Current assets						
Stocks	9,704	12,913	15,394	17,776	17,535	20,660
Debtors	955	1,210	1,532	2,376	1,929	2,721
Investments	97	21	20	—	—	—
Advance	—	—	—	—	—	—
Corporation Tax	—	—	—	775	556	—
Taxation recoverable	—	—	—	7	46	—
Cash at bank and in hand	44	400	42	44	1,819	—
	10,888	14,534	16,988	20,203	22,114	23,957
Creditors: amounts falling due within one year	(7,373)	(11,484)	(15,544)	(20,223)	(10,595)	(11,657)
Net current assets	3,515	3,050	1,444	(20)	11,519	12,300

5 BALANCE SHEETS (continued)

	At February 28			At March 31	At February 28	At September 2
	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1989 £'000
Total assets less current liabilities	8,912	9,289	9,589	9,672	19,582	19,847
Creditors: amounts falling due after more than one year	3	—	—	—	19,500	19,561
	8,909	9,289	9,589	9,672	82	286
Share capital	(v)	—	—	—	6,763	6,763
Reserves	(xi)	—	—	—	(6,681)	(6,477)
Pre-buy-out combined share capitals and reserves	(xii)	8,909	9,289	9,589	9,672	—
	8,909	9,289	9,589	9,672	82	286

NOTES TO THE BALANCE SHEET AT SEPTEMBER 2, 1989

(i) Tangible fixed assets

	Cost valuation £'000	Accumulated depreciation £'000	Net book amount £'000
Freehold land and buildings	2,274	4	2,270
Long term leasehold land and buildings	123	11	112
Short term leasehold land and buildings	511	202	309
Fixtures, equipment and leasehold improvements	7,999	3,125	4,874
	10,907	3,140	7,767

The original cost to Goldsmiths of the freehold land and buildings is £1,244,000. Seven properties forming part of a revaluation carried out by Messrs. Healey & Baker, Surveyors and Valuers, in March 1988 were revalued giving rise to a surplus over cost of £631,000. One property was revalued by the directors in February 1989 giving rise to a surplus over cost of £345,000. The net book amount of fixtures, equipment and leasehold improvements includes £65,000 in respect of leased assets.

(ii) Stocks

	£'000
Jewellery stock held for resale	20,660
(iii) Debtors	£'000
Trade debtors	1,679
Prepayments and accrued income	678
Other debtors	364
	2,721

All amounts fall due within one year.

(iv) Creditors: amounts falling due within one year

	£'000
Bank loan and overdrafts	3,286
Obligations under finance leases	11
Trade creditors	5,833
Other creditors	658
Taxation and social security	544
Accruals and deferred income	1,285
Corporation tax	40
	11,657

(v) Creditors: amounts falling due after more than one year

	£'000
Long term loans	19,500
Obligations under finance leases	61
	19,561

(vi) Long term loans

	£'000
Bank loan and overdrafts	3,286
Within one year or on demand	—
Within one to two years	4,150
Within two to five years	12,350
After five years	19,786
	3,000

The bank loan and overdraft are secured on the assets of the Company. Interest is payable on the overdraft at 14% above LIBOR and on the bank loan at 15% above LIBOR.

Other loans are unsecured. £1,500,000 of these loans, which were provided by the vendor as part of the buy-out, are convertible into 489,561 ordinary shares of the Company at the option of the holder.

(vii) Obligations under finance leases

The capital amounts due under finance lease obligations are as follows:

	£'000
Within one year	11
Within two to five years	61
	72

(viii) Particulars of transactions involving directors

Directors' interests in contracts

Mr J S Piasecki is a director of Henley Goldsmiths Limited, a company from which Northern Goldsmiths purchased the services of jewellery repairs to the value of £40,000 during the 6 months ended September 2, 1989. At that date, 50% of Henley Goldsmiths Limited's shares were owned by Mr J S Piasecki. In October 1989 Jewellers acquired the 50% of the shares not owned by Mr J S Piasecki for £2,000. In November 1989 the shares owned by Mr J S Piasecki were sold, half to Jewellers and half to the new managing director of Henley Goldsmiths Limited at the same price.

(ix) Deferred taxation

A provision for deferred taxation at September 2, 1989 is not required. Potential deferred taxation liabilities existed at that date in respect of:

	£'000
Accelerated capital allowances	777
Losses carried forward	(256)
Short term timing differences	(494)
	27

The amount shown as potential deferred taxation is calculated using a corporation tax rate of 35%. There is no deferred taxation liability arising in respect of revalued properties acquired by subsidiaries prior to their acquisition by the Company because there is an excess of carried forward capital losses over any potential capital gain that would arise on the disposal of the properties. The capital losses have not been agreed by H.M. Inspector of Taxes and if they were to prove not to be available, the potential deferred taxation liabilities would increase by approximately £500,000 in respect of revalued properties.

(x) Share capital

At September 2, 1989, the authorised, issued and called up share capital of the Company comprised:

	Authorised £'000	Issued and fully paid £'000
500,000 'A' ordinary shares of 1p each	5	5
515,789 'B' ordinary shares of 1p each	5	5
500,000 redeemable 'B' ordinary shares of 1p each	5	5
65,789 redeemable 'C' ordinary shares of 1p each (not issued)	1	—
6,750,000 redeemable cumulative preference shares of £1 each	6,750	6,750
	6,764	6,763

At shareholders' meetings on January 24, 1990, the following resolutions, *inter alia*, were passed and will become effective on the date on which the Company's shares are admitted to the Official List:

- to increase the authorised share capital of the Company to £9,955,000 by the creation of an additional 519,118,422 new 'B' ordinary shares of 1p each;
- to allot 11,396,873 new 'B' ordinary shares, credited as fully paid, by way of bonus to the existing holder of the preference shares of £1 and Redeemable 'B' ordinary shares of 1p each of the Company;
- to convert each of the Company's 'A' ordinary shares of 1p each; each of its 'B' ordinary shares of 1p each; and each of its Redeemable 'C' ordinary shares of 1p each, in each case both issued and unissued into ordinary shares of 1p each and subsequently consolidate all such shares into ordinary shares of 10p each;

(d) to allot 8,645,313 ordinary shares of 10p each to ordinary shareholders pro rata to their shareholdings, credited as fully paid by way of bonus save that the ordinary shares arising from the allotment of 'B' shares referred to in (b) above do not rank for such bonus;

(e) to allot 12,066,667 ordinary shares for cash at a price of 150p; and

(f) upon redemption of the Company's 500,000 Redeemable 'B' ordinary shares of 1p each and 6,750,000 preference shares of £1 each, to cancel such shares and to reduce the Company's authorised share capital accordingly.

	Authorised £'000	Issued and fully paid £'000
Ordinary shares of 10p each	3,200	2,193
(xi) Reserves	11 months ended February 28 1989	6 months ended September 2 1989
	£'000	£'000
Opening balance ⁽¹⁾	297	(6,681)
Retained profit for the period	1,803	811
Pre-acquisition loss reported within the retained profit for the period	—	120
Goodwill arising on consolidation	—	(9,682)
Goodwill written off	—	(105)
Premium on shares issued	—	940
Closing balance	(6,681)	(6,477)
Comprising:		
Share premium account	1,237	1,237
Other reserves	(9,447)	(10,454)
Profit and loss account	1,924	2,740
	(6,681)	(6,477)

Note

(1) The opening balance relates to the share premium balance on the shares issued prior to March 31, 1988.

Goodwill arising on consolidation eliminated at February 28, 1989 comprises:

	£'000
Cost of subsidiaries acquired pursuant to the buy-out	44,094
Jewellers' share capital and reserves at April 28, 1988 (net of consolidation adjustments)	(25,000)
Pre-buy-out combined share capitals and reserves at March 31, 1988	(9,672)
Pre-acquisition loss incurred prior to buy-out	120
	9,548
Goodwill relating to the acquisition of subsidiary after the buy-out	134
	9,682

(xii) Pre buy-out combined share capitals and reserves

	Year ended February 28			13 months ended March 31
	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Opening balance	2,975	8,909	9,289	9,589
Retained profit/(loss)	1,616	184	(21)	442
Goodwill eliminated	—	(10)	—	—
Tangible net assets of companies acquired by Goldsmiths	4,318	306	302	—
Closing balance	8,909	9,289	9,589	9,672
Comprising:				
Share capitals	5,465	5,492	5,512	5,512
Reserves	3,444	3,797	4,077	4,160
	8,909	9,289	9,589	9,672

The pre buy-out combined share capitals and reserves at March 31, 1988 are taken into account in calculating the goodwill arising on the buy-out as shown in note (xi).

(xiii) Contingent liabilities

Following the disposal of the insurance division there may be a contingent liability in respect of claims by the purchaser relating to liabilities where adequate insurance cover was not arranged. The directors are of the opinion that all potential claims have been identified and fully provided for in these accounts.

The Company has entered into an interest rate swap arrangement with J Henry Schroder Wagg & Co Limited which would result in a liability to pay interest to J Henry Schroder Wagg & Co Limited on £17 million at a rate equal to the excess of 13% over LIBOR if that rate were to fall below 13%. The swap arrangement expires in May 1990.

(xiv) Capital commitments

At September 2, 1989 the directors had authorised and contracted for future capital expenditure of £1,412 million.

(xv) Pensions

Goldsmiths operates a defined contribution pension scheme and a defined benefit pension scheme. The assets of the schemes are held separately from those of Goldsmiths in independently managed funds.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with Goldsmiths. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation was at December 1, 1987. However for the purposes of the implementation of Statement of Standard Accounting Practice Number 24, a further actuarial valuation was carried out at August 31, 1989.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed for the purposes of the August 31, 1989 valuation that the investment returns would be 5% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at the rate of 5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,408 million and that the actuarial value of those assets exceeded the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the employees will remain at 6% of earnings. Goldsmiths will not make any further contributions until advised to do so by the actuaries.

The total pension charge under the defined benefit scheme for the 6 months ended September 2, 1989 was nil, since the amortisation of the actuarial surplus that is being recognised over nine years (the average remaining service lives of employees) will be approximately equal to the regular pension cost.

Yours faithfully

Ernst & Young

Chartered Accountants

ASSUMPTIONS AND LETTERS RELATING TO THE PROFIT FORECAST

The principal assumptions used in preparing the Directors' profit forecast for the year ending 3rd March, 1990 are as follows:

- that there will be no serious industrial disputes or other interruptions to business, which would adversely affect the Group or its principal suppliers;
- that there will be no material change in the rates or levels of taxation, inflation and interest, nor any change in national or local government regulations which will have a material effect on the business of the Group.

The following are copies of letters relating to the profit forecast of the Group for the year ending 3rd March, 1990:

Letter from Ernst & Young
The Directors
Gold

Goldsmiths Group Plc

STATUTORY AND GENERAL INFORMATION

1. The Company:

(i) The Company was incorporated under number 2117655 in England and Wales on 31st March, 1987 as a private company limited by shares under the Companies Act 1985 ("the Act") with the name of Exacult Limited.

(ii) The name of the Company was changed to Goldsmiths Group Limited on 22nd November, 1989. On 21st December, 1989, pursuant to a Special Resolution of the Company passed on 12th December, 1989, the Company was re-registered as a public company.

(iii) On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 Ordinary Shares of £1.00 each.

(iv) On 11th February, 1988, 300 such shares were issued and allotted fully paid at par.

(v) On 21st March, 1988, pursuant to Special Resolutions of the Company:

(a) the 300 issued ordinary shares of £1.00 each in the capital of the Company were sub-divided into 30,000 issued ordinary shares of 1p each;

(b) the 700 unissued ordinary shares of £1.00 each in the capital of the Company were sub-divided into 70,000 unissued ordinary shares of 1p each; and

(c) the authorised share capital of the Company was increased by £2,000 to £3,000 by the creation of 200,000 additional ordinary shares of 1p each.

Consequent upon the passing of the above Resolutions, the 270,000 unissued ordinary shares of 1p each in the Company were issued and allotted as fully paid at par.

(vi) On 28th April, 1988, pursuant to Special Resolutions of the Company and resolutions of the Directors:

(a) the existing 300,000 ordinary shares of 1p each in the capital of the Company were reclassified as "A" ordinary shares of 1p each;

(b) the authorised share capital of the Company was increased to £6,763,815.78 by the creation of 515,789 "B" ordinary shares of 1p each, 500,000 Redeemable "B" ordinary shares of 1p each, 6,750,000 Redeemable Cumulative Preference Shares of £1 each and 65,789 Redeemable "C" ordinary shares of 1p each;

(c) the Company adopted new Articles of Association; and

(d) 450,000 "R" ordinary shares of 1p each in the Company were issued and allotted as fully paid at a premium of 99p; 500,000 Redeemable "B" ordinary shares of 1p each in the Company were issued and allotted as fully paid at a premium of 99p each; and 6,750,000 Redeemable Cumulative Preference Shares of £1 were issued and allotted as fully paid at par.

(vii) As at 22nd January, 1990 all of the 300,000 "A" ordinary shares of 1p each in the capital of the Company were issued and fully paid; 450,000 "B" ordinary shares of 1p each were issued and fully paid and an option had been granted in respect of up to 65,789 "B" ordinary shares which option was outstanding; 500,000 Redeemable "B" ordinary shares of 1p each were issued and fully paid; 6,750,000 Redeemable Cumulative Preference Shares of £1 each were issued and fully paid; and an option had been granted in respect of 65,789 Redeemable "C" ordinary shares of 1p each which option was outstanding.

(viii) Pursuant to a Special Resolution passed at an Extraordinary General Meeting of the Company held on 24th January, 1990 and Resolutions of the Directors of the Company passed at a Meeting on the same date it was resolved conditionally upon the admission by the Council of The Stock Exchange of the whole of the ordinary share capital of the Company, issued and to be issued, to the Official List becoming effective on or before 14th February, 1990:

(a) to increase the authorised share capital of the Company to £9,955,000 by the creation of an additional 319,118,422 "B" ordinary shares of 1p each;

(b) to allot 11,396,873 new "B" ordinary shares, credited as fully paid, to Barclaytrust International Limited ("Barclaytrust") by way of capitalisation of part of the sum standing to the credit of the share premium account of the Company;

(c) to declare a dividend of £780,000 to Barclaytrust as the holder of the Preference Shares, such dividend to be paid following the Annual General Meeting of the Company to be held in 1990 subject to there being sufficient distributable profits of the Company disclosed by the audited accounts to be laid before that Meeting from which such payment can lawfully be made;

(d) to convert each of the "A" ordinary shares, each of the "B" ordinary shares and each of the Redeemable "C" ordinary shares of 1p each, in each case both issued and unissued, into ordinary shares of 1p each and subsequently to consolidate all such shares into ordinary shares of 10p each;

(e) to adopt new Articles of Association;

(f) to redeem each of the 500,000 Redeemable "B" shares at £1 per share and, upon such redemption, to cancel such shares and reduce the authorised capital of the Company accordingly, such redemption to be effected by the application of part of the proceeds of the issue of the Subscription Shares;

(g) to redeem each of the 6,750,000 issued Preference Shares at par and, upon such redemption, to cancel such shares and reduce the authorised capital of the Company accordingly, such redemption to be effected by the application of part of the proceeds of the issue of the Subscription Shares;

(h) to authorise the Directors generally and unconditionally to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £1,755,000 (which includes the shares issued as described in paragraphs (b), (j) and (k)), such authority to expire on 24th January, 1995 and to enable the Directors to allot relevant securities (as defined in the Act) after such date in pursuance of an offer or agreement entered into prior to such date;

(i) to empower the Directors to allot, pursuant to the authority referred to in (h) above, equity securities (within the meaning of section 94 of the Act) for cash (otherwise than in accordance with section 89 of the Act in connection with (a) rights issues in favour of holders of ordinary shares, (b) the issue of shares to Barclaytrust referred to in paragraphs (b) and (j), (c) the allotment of the Subscription Shares, (d) the allotment of ordinary shares pursuant to the agreement with Onifame U.K. Holdings Limited referred to in paragraph 9(x) and (e) otherwise than pursuant to (a), (b), (c) or (d) above the allotment of equity securities being approximately five per cent. of the ordinary shares in issue following the Offer, such authority to expire on 25th January, 1991, but so as to enable the Directors to allot equity securities after such date in pursuance of an offer or agreement entered into prior to such date;

(j) conditionally upon the share premium account of the Company being credited following receipt of the proceeds of issue of the Subscription Shares, to allot 8,443,313 ordinary shares to ordinary shareholders *pro rata* to their shareholdings, credited as fully paid by way of bonus, save that the ordinary shares arising out of allotment of "B" shares referred to in paragraph (b) above do not rank for such bonus; and

(k) to allot provisionally the Subscription Shares pursuant to the Offer on the terms and conditions set out in the Offer for Sale Agreement.

(ix) On 15th January, 1990 by Ordinary Resolution the Company adopted the Executive Share Option Scheme and the Savings Related Share Option Scheme described in paragraph 6 below.

(x) Immediately following the Offer, the authorised share capital of the Company will be £3,200,000 divided into 32 million ordinary shares of 10p each of which 21,926,667 will be issued and fully paid and 10,073,333 will remain unissued. A maximum of 1,383,700 ordinary shares of 10p each will be reserved for issue in respect of options granted or to be granted under the Company's Executive Share Option Scheme and SAYE Option Scheme (details of which are set out in paragraph 6 below) and a maximum of 489,561 ordinary shares of 10p each will be reserved for issue in respect of an option granted to Onifame (details of which are set out in paragraph 9(x) below).

(xi) Save as disclosed in this document, no material issue of shares (other than to shareholders *pro rata* to their existing shareholdings) will be made within one year of the date hereof without the prior approval of the Company in general meeting and no issue will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in general meeting.

(xii) Save as disclosed in this document, within the period of two years immediately preceding the date hereof:

(a) no commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue or the sale of any shares or loan capital of the Company or any such subsidiary;

(b) no capital of the Company or any of its subsidiaries has been issued or is proposed to be issued fully or partly paid up, either for cash or for a consideration other than cash.

(xiii) Save as disclosed in this document no capital of the Company or any of its subsidiaries is under option or has been agreed conditionally or unconditionally to be put under option.

2. Subsidiaries:

The Company has the following subsidiaries, all of which are private companies incorporated in England and Wales, have their registered offices at Goldsmiths House, Elland Road, Braintree, Essex, LE15 1TT and are either directly or indirectly wholly

owned by the Company, save for Henley Goldsmiths Limited which has its registered office at 6a Bell Street, Henley on Thames, Oxon, and which is 75 per cent. owned by the Company:

Name and Registered Number	Issued Share Capital	Business
Goldsmiths (Jewellers) Limited (146087)	£3,864,006	Property Holding Company
Northern Goldsmiths Limited (1452689)	£2	Retail Jewellers
Henley Goldsmiths Limited (1994463)	£4,000	Jewellery Repairs
Manor House Finance Limited (905689)	£200	Non-trading
William Wright (Brighton) Limited (453585)	£90,900	Non-trading
W. Wright Limited (88811)	£12,000	Non-trading
W. Wright (Mail Order) Limited (616650)	£100	Non-trading
Eusance & Co. Limited (82683)	£13,914	Non-trading
Robinson & Co. Limited (75771)	£12,000	Non-trading
Walker & Hall Limited (538037)	£5,160,650	Non-trading
Nina Phillips Limited (1467435)	£1,200	Non-trading
Brookes Jewellers (Llandudno) Limited (1042268)	£20,000	Non-trading
Oddy Wilson & Co Limited (470539)	£6,100	Non-trading
Nottingham & Walsh Limited (199806)	£8,080	Non-trading
F.K. Perkin (Shipley) Limited (800525)	£20,655	Non-trading
George Farrer Limited (117310)	£3,852	Non-trading
Reid & Sons Limited (246318)	£37,400	Non-trading
J.A. Haskell (583749) (an unlimited company)	£2,000	Non-trading
Jays The Jewellers Limited (268588)	£92,002	Non-trading
J & M Perkin Limited (671498)	£10,500	Non-trading
Lindisfarne Silver Limited (236534)	£100	Non-trading
F.K. Perkin Limited (286339)	£3,672	Non-trading
F. Diss Limited (179401)	£8,200	Non-trading
W.G. Webber Limited (662861)	£20,000	Non-trading
J.R. Barnsdall (Jewellers) Limited (1276947)	£602	Non-trading

3. The Offer for Sale Agreement and Deed of Indemnity:

(i) By an Offer for Sale Agreement dated 25th January, 1990 and made between Hoare Govett (1), Barclaytrust International Limited (2), the Directors (3) and the Company (4) ("the Offer for Sale Agreement"), Hoare Govett has agreed to offer for subscription on behalf of the Company the Subscription Shares and to offer for sale on behalf of Barclaytrust International Limited the Sale Shares, (in each case at the Offer Price) and to arrange the underwriting of, and failing that itself to underwrite, the subscription and sale of such Offer Shares;

(ii) The Offer for Sale Agreement is conditional, *inter alia*, upon the Council of The Stock Exchange approving the admission of the whole of the ordinary share capital of the Company (issued and to be issued) to the Official List of The Stock Exchange not later than the close of business on 14th February, 1990 and the announcement by the Council of The Stock Exchange pursuant to Rule 5.20 of the Rules of The Stock Exchange of its decision to admit the whole of the ordinary share capital of the Company as aforesaid being made not later than 9.00 a.m. on the following Business Day (as defined in the Offer for Sale Agreement);

(iii) In the event that applications are received for more Offer Shares than are available, the basis of allocation will be decided by Hoare Govett in consultation with the Company but in any event, preference will be given to employees of the Group including at the discretion of the Board former directors and employees (in respect of applications made by them on the special employee application forms) up to a maximum of 1,710,521 Offer Shares;

(iv) The Company (in respect of the Subscription Shares) and Barclaytrust International Limited (in respect of the Sale Shares) have agreed to pay to Hoare Govett an underwriting commission of 2% of the Offer Price in respect of each Offer Share, part of which is to be applied by Hoare Govett in payment of any commissions due to sub-underwriters. The Company has also agreed to pay Hoare Govett a legal and other reasonable out of pocket expenses together with a fee in respect of the Offer;

(v) The Offer for Sale Agreement contains certain warranties, undertakings and indemnities given by Barclaytrust International Limited, the Company and the Directors to Hoare Govett in relation to the Offer and the Directors have given indemnities in respect of certain taxation liabilities to Hoare Govett and the Company (for the benefit of itself and its subsidiaries). The warranties given by Barclaytrust are limited to matters of title and the liability of the Directors other than Mr. J. S. Piasecki is subject to a monetary limit equal to the greater of £50,000 and the value of any ordinary shares held by him at the date hereof computed at the Offer Price;

(vi) Hoare Govett may terminate the Offer for Sale Agreement prior to the despatch of Letters of Acceptance (as defined in the Offer for Sale Agreement), in certain circumstances including, *inter alia*:

(a) breach of any of the warranties referred to above;

(b) if at any time prior to the despatch of the said Letters of Acceptance there shall have occurred, in the opinion of Hoare Govett, any events more fully set out in the Offer for Sale Agreement which is or will be materially adverse to the Company or the Offer or any change in financial, political, economic or market conditions which will or may prejudicially and materially affect the Offer.

(vii) The indemnities relating to taxation referred to above are contained in a separate Deed of Indemnity dated 25th January, 1990 and made between the Directors (1) Hoare Govett (2) and the Company (3).

4. Directors' and other Interests:

(i) Immediately following the Offer, the interests of the Directors in the share capital of the Company, as they will appear in the Register maintained under Section 325 of the Act, will be as follows:

Name	Beneficial Shares	%	Non Beneficial Shares	%	Shares under Option
J.S. Piasecki	2,813,754	12.83	93,017	—	—
P.R. Goad	84,889	—	—	—	85,000
J.E. West	44,881	—	—	—	83,000
S.C. Sargent	26,754	—	—	—	50,000
C.C. Gregory	15,000	—	—	—	—

The Schroder UK Buy-Out Fund and the Schroder UK Venture Fund ("the Funds") will, immediately following the completion of the Offer, have the following interest in the Company's issued share capital. Barclaytrust International Limited and Schroder Venture Managers (Guernsey) Limited both of PO Box 184, Barclaytrust House, Les Echellons, South Esplanade, St. Peter Port, Guernsey, Channel Islands are respectively the trustee or custodian and manager or general partner of the Funds and are interested accordingly.

Name	Shares	%
Schroder UK Buy-Out Fund	1,246,753	5.69
Schroder UK Venture Fund	86,581	—

Save as disclosed herein, the Directors are not aware of any person who, immediately following completion of the Offer, will have an interest in 5 per cent. or more of the Company's issued share capital.

(ii) No Director of the Company:

(a) is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Group; or

(b) save as disclosed in the Accountants' Report has or has had within the two years immediately preceding the date of this document any interest, direct or indirect, in any assets which within such period have been or are now proposed to be acquired or disposed of by or leased to the Company or any of the subsidiaries.

(iii) The aggregate emoluments of the Directors of the Company for the period ended 28th February, 1989 amounted to £124,754 and are expected to amount to £277,175 in respect of the current financial year ending 3rd March 1990.

5. Service Agreements:

The following are particulars of the Directors' service agreements with the Company:

Director	Date	Term of notice by Company	Remuneration
J.S. Piasecki	24th January, 1990	3 years' notice given at any time	£80,000
P.R. Goad	24th January, 1990	2 years' notice given at any time	£40,000
J.E. West	24th January, 1990	2 years' notice given at any time	£45,000
S.C. Sargent	24th January, 1990	1 year fixed term, thereafter subject to review	£40,000

The Service Agreements provide for the remuneration of the Directors to be reviewed annually on 1st March of each year. The next review will take place on 1st March, 1991. The Service Agreements provide for six months' notice on the part of all the Directors other than Mr. Piasecki who is required to give one year's notice.

Save as aforesaid there is no service agreement in force between the Company or any of its subsidiaries and any director of the Company with more than 12 months unexpired which cannot within the 12 months be terminated by the Company or any of the subsidiaries without payment of compensation (other than statutory compensation).

6. Employee Share Schemes:

The Company operates two employee share schemes as follows:

(i) Goldsmiths Group Plc Approved Executive Share Option Scheme

On 15th January, 1990 the Company adopted the Goldsmiths Group Plc Approved Executive Share Option Scheme ("the Scheme") under which options to subscribe for ordinary shares may be granted to eligible employees of the Group. The principal features of the Scheme are as follows:

(a) Approval

The Scheme has been approved by the Board of The Inland Revenue under the provisions of the Income and Corporation Taxes Act 1988 and will be operated by the Directors who have the authority to offer options to subscribe for ordinary shares ("Options").

(b) Eligible employees

Subject to the Rules of the Scheme ("Rules") any employee or executive director of any company within the Group may be offered Options provided that his contract of service requires him to work substantially the whole of his time (being not less than 25 hours per week in the case of an executive director and not less than 20 hours per week in the case of an employee) for the Company and its subsidiaries and provided that he complies with the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988. An employee will normally cease to be eligible if he is within two years of his normal retirement date although in certain circumstances set out in the Rules this time period is extended to 4 years.

(c) Limits

Full particulars of the limits applicable to the Scheme are set out in the Rules but the aggregate number of ordinary shares which may be issued on the exercise of Options and/or under any other executive share scheme operated by the Company during the period of 10 years from the date of adoption of the Scheme shall not exceed the lesser of:

(1) 3,295,000 ordinary shares (which represents 15 per cent. of the issued ordinary share capital of the Company at the date of adoption of the Scheme); or

(2) five per cent. of the issued ordinary share capital of the Company from time to time.

The figure of 5 per cent. referred to in paragraph (2) above may be increased to 10 per cent. in respect of any Options granted subject to a condition preventing the exercise of such Option within 5 years from the date of grant of the relevant Option ("the Date of Grant") and then only if the Company's growth in earnings per share over a period of at least 5 years has been such as would place it in the top quartile of The Financial Times Stock Exchange One Hundred Companies by reference to growth in earnings per share over the same period.

The Rules contain provisions which permit the number of ordinary shares over which Options may be granted to be adjusted with the written confirmation of the Auditors of the Company and the prior approval of the Inland Revenue in the event of a re-organisation of the share capital of the Company. The Rules also contain provisions designed to ensure that the Directors retain a proportion of the ordinary shares over which Options may be granted under the Scheme for the latter years of the 10 year period during which Options may be granted.

Ordinary shares over which Options have been granted before and within 7 days after the date on which ordinary shares are admitted to The Stock Exchange Official List are not to be taken into account when calculating any of the limits applicable to the Scheme save for the purposes of the limit referred to in paragraph (1) above.

(d) Terms of Options

(1) Option Price — the Board may offer Options to Eligible Employees which may be accepted by the relevant Eligible Employees upon payment of an aggregate consideration of £1 provided that such acceptance takes place within 16 days after the Option is offered to him;

(2) Date of Grant — the Date of Grant shall be the date on which the Directors accept the Eligible Employee's application for an option;

(3) Subscription Price — the Subscription Price, which must be stated in the Offer, shall be determined by the Board and shall not be less than the higher of the average of the middle market quotations for an ordinary share derived from The Stock Exchange Daily Official List on the 5 dealing days before the date stated on the relevant offer of an Option and the nominal value of an ordinary share. If at the Date of Grant the ordinary shares have not been admitted to listing on The Stock Exchange, the Subscription Price shall not be less than the higher of the market value of an ordinary share calculated in accordance with Part VIII of the Capital Gains Tax Act 1979 and as agreed with the Shares Valuation Division of the Inland Revenue, and the nominal value of an ordinary share;

(4) Exercise of Options — Options are not normally exercisable before the third anniversary of the relevant Date of Grant, although this time period may be extended to the fifth anniversary where such a condition is issued in the offer of an Option. No Options may be exercised after the tenth anniversary of the Date of Grant nor will Options normally be exercisable if the Option holder ceases to be employed within the Group. Other provisions, however, apply in the event of death or leaving employment due to injury, disability, redundancy or retirement or by the Option holder ceasing to be an Eligible Employee by reason only that his employing company ceases to be a member of the Group. Other provisions also apply in the event of a takeover or reconstruction or voluntary liquidation of the Company;

(5) Allotment of ordinary shares — upon the exercise of any Option the Company shall as soon as practicable and in any event not later than 28 days after the date of exercise thereof, allot to the Option holder the number of ordinary shares specified in the notice of exercise;

(6) Adjustment of Options — Options may be adjusted in the event of any reorganisation of the share capital of the Company provided that the Company's auditors have confirmed to the Board that adjustment is in their opinion fair and reasonable and provided further that the adjustment is approved by the Board of the Inland Revenue.

(e) Roll-over provisions

The Rules contain provisions which enable Option holders to surrender any Options held by them in return for equivalent options over the share capital of any company acquiring control of the Company as defined in the Rules.

(f) Alterations to the Scheme

The Board may, subject to the approval of the Board of The Inland Revenue, at any time alter or add to the terms and conditions of the Scheme subject to the proviso that no alteration or addition shall be made to the basic provisions of the Scheme or to the advantage of the Option holders without the prior written approval of the members of the Company in general meeting.

As at the date of this document, Options have been offered conditional upon admission of the ordinary share capital of the Company to the Official List of The Stock Exchange to Eligible Employees in respect of 633,700 ordinary shares (representing 2.9 per cent. of the issued ordinary share capital of the Company following such admission) at an exercise price equal to the Offer Price.

(ii) Goldsmiths Group Plc Savings Related Share Option Scheme

On 15th January, 1990 the Company in general meeting adopted the Goldsmiths Group Plc Savings Related Share Option Scheme ("the SAYE Scheme") which has been approved by the Inland Revenue under the provisions of the Income and Corporation Taxes Act 1988. The principal features of the SAYE Scheme are as follows:

(a) Eligible Employees

Any employee of the Group who is a full time employee or Director, whose contract of employment requires him to devote substantially the whole of his time to the affairs of the Group and to work not less than 25 hours per week for the Group and who has been employed within the Group for at least 12 months (or such shorter period as the Directors may decide) prior to the date upon which the Board issues an invitation to him to apply for an option to subscribe for ordinary shares ("an Option");

(b) Participation in the SAYE Scheme may be offered at the discretion of the Board to all Eligible Employees during the periods of:

(1) fourteen days after receipt of a letter from the Inland Revenue of formal approval of the SAYE Scheme; or

(2) within 28 days after the date on which the Company makes a preliminary announcement of its annual or half-yearly results.

(c) Limits

The limits applicable to the SAYE Scheme are, in all material respects, the same as those applicable to the Goldsmiths Group Plc Executive Share Option Scheme described above.

(d) Grant of Options

Options will only be granted when the applicant has entered into an approved SAYE contract under which he makes monthly contributions of not less than £10 and not greater than £150 (or such other maximum as may from time to time be permitted under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988 or such lower amount as shall be determined by the Board in the event of insufficient ordinary shares being available to meet applications). Contributions must be in multiples of £1 per month. The aggregate option price for the ordinary shares over which an Eligible Employee is granted an Option must as nearly as possible be equal to but not exceed the repayment due to the Eligible Employee from the SAYE contract entered into.

No Option may be granted under the SAYE Scheme more than 10 years after the date on which the Scheme was established.

(e) Exercise of Options

Options may be exercised in whole or in part but if any Option is exercised in part only, the balance of the Option not thereby exercised shall forthwith lapse. The Company is obliged to allot ordinary shares in respect of which Options are duly exercised within 30 days following the date of exercise. Ordinary shares allotted pursuant to Options shall rank *pari passu* in all respects with the fully paid ordinary shares in issue at the date of exercise save that they will not rank for any dividend payable in respect of a record date prior to the date of exercise of any Option. No Option may be exercised before either the fifth or seventh anniversary of the SAYE contract applicable to the relevant participant.

Other provisions, however, apply in the event of death or leaving employment due to injury, disability, redundancy or retirement or by the Option holder ceasing to be an Eligible Employee by reason only that his employing company ceases to be a member of the Group or if he is employed in a business which is transferred to a person who is not an associated company as defined in Section 187(2) of the Income and Corporation Taxes Act 1988. Other provisions also apply in the event of a takeover or reconstruction or voluntary liquidation of the Company.

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(f) Subscription Price

The Subscription Price at which ordinary shares may be placed under Option shall be determined by the Board but shall not be less than the higher of the nominal value of an ordinary share and 80 per cent. of the market value of an ordinary share as ascertained from the middle market quotation of an ordinary share as derived from The Stock Exchange Daily Official List on the dealing day immediately preceding the relevant date of invitation.

No rights under an Option may be transferred by a participant to any other person.

(g) Adjustment

Options may be adjusted in the event of a re-organisation of the share capital of the Company in such manner as the Board may determine subject to written confirmation from the Company's auditors that the adjustments proposed are fair and reasonable and subject also to the prior written approval of the Board of The Inland Revenue.

The SAYE Scheme may be altered by the Board from time to time save that no alteration or addition may be made to the advantage of option holders or to the principal terms without the approval of the Company in general meeting and without the prior approval of the Board of The Inland Revenue.

As at the date of this document, Options have been offered conditional upon admission of the ordinary share capital of the Company to the Official List of the Stock Exchange to Eligible Employees in respect of 750,000 ordinary shares (representing 3.4 per cent. of the issued ordinary share capital of the Company following such admission) at an exercise price of 120p.

7. Memorandum and Articles of Association:

(i) The Memorandum of Association of the Company sets out in paragraph 4 the Company's principal objects which include *inter alia* the right to act as a holding and co-ordinating company.

(ii) The Articles of Association of the Company contain provisions *inter alia* to the following effect:

(a) Share capital — the rights attaching to the ordinary shares are *inter alia* as follows:

(1) Voting

Subject to disenfranchisement in the event of (i) non-payment of calls or other monies due and payable in respect of shares or (ii) non-compliance within 28 days of service of a notice under section 212 of the Companies Act 1985 upon a member or any person appearing to be interested in shares requiring disclosure as to beneficial ownership of shares, and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (no such shares currently being in issue other than the Preference Shares and Redeemable 'B' Shares) on a show of hands every member who is present in person or (being a corporation) is present by representative at a general meeting of the Company shall have one vote, and on a poll every member who is present in person, by representative (being a corporation) or by proxy shall have one vote for every fully paid share of which he is the holder.

(2) Dividends

Subject to every statute from time to time in force relating to companies insofar as the same applies to the Company, the Company may by Ordinary Resolution declare dividends to be paid to members of the Company but no dividend shall be declared in excess of the amount recommended by the Directors. Except insofar as the rights attaching to, or the terms of issue of any share otherwise provide (no such shares currently being in issue other than the Preference Shares and Redeemable 'B' Shares), all dividends shall be declared pro rata according to the amounts paid up or credited as paid up on the shares in respect whereof the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company. The Directors may, with the sanction of an Ordinary Resolution of the Company, offer members the right to elect to receive ordinary shares in the capital of the Company, credited as fully paid, instead of a cash dividend.

(3) Alteration of capital

The Company may by Ordinary Resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares or any of them into shares of smaller amount than that fixed by the Memorandum of Association subject to the provisions of every statute from time to time in force, or cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person. The Company may, subject to the provisions of every statute from time to time in force and with the consent of a Special Resolution of the Company, reduce its share capital, any capital redemption reserve and any share premium account. Subject to the provisions of every statute from time to time in force the Company may, with the sanction of an Extraordinary Resolution passed at a separate class meeting of the holders of any class of convertible shares in the Company, purchase any of its own shares (including any redeemable shares) provided that such Extraordinary Resolution shall specify the maximum price which, in the case of purchases by tender, will not exceed the average of the middle market quotations taken from The Stock Exchange Daily Official List for the ten business days before the purchase is made or, if through the market (as defined by section 163 of the Companies Act 1985), will not exceed the market price provided that it is not more than 5 per cent. above such average.

(4) Variation of rights

Subject to the provisions of every statute from time to time in force the Company may issue shares with such preferred, deferred or other special rights or restrictions as the Company may from time to time determine by Ordinary Resolution (there being no such shares currently in issue other than the Preference Shares and Redeemable 'B' Shares). If at any time the share capital of the Company is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may be altered or abrogated with the consent in writing of three quarters in nominal value of the issued shares of that class or an extraordinary resolution passed at a separate general meeting of that class. Any such separate general meeting the provisions of the Articles relating to General Meetings shall apply but the quorum necessary shall be two persons at least holding or representing by proxy one third of the issued shares of the class, every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, any holder of shares of the class present in person or by proxy may demand a poll, and at any such meeting held following any meeting adjourned for want of a quorum one holder present in person or by proxy shall constitute a quorum and shall constitute a meeting whatever the number of shares held by him.

(5) Transfer of shares

All transfers of shares shall be effected by a transfer in writing in any usual or common form or any other form which the Directors may approve and must be executed by or on behalf of the transferor and, where the shares are partly paid, the transferee. The transfer is deemed to remain the holder of the shares until the name of the transferee is entered in the register of members. The Directors may, in their absolute discretion and without giving any reason, decline to register the transfer of any share which is not fully paid. No fee shall be charged by the Company on the registration of any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of dings, stop notice, court order or other instrument. The Articles contain no restrictions on the free transferability of fully paid shares provided that transfers are accompanied by the certificate of the shares to which they relate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, the instrument of transfer is in respect of one class of share only and, in the case of a transfer to joint holders, the number of joint holders does not exceed four.

(b) Borrowing Power

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities. The Directors are to ensure that the aggregate amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (excluding intra-group borrowings) shall not at any time without the previous sanction of the Company in General Meeting exceed an amount equal to three times the aggregate from time to time of the amount paid up on the issued share capital of the Company and the amounts standing to the credit of the capital and reserves of the Company and its subsidiaries, all as shown by the latest audited consolidated balance sheet but adjusted as set out in the Articles of Association.

(c) Directors

(1) A Director is not required to hold any qualification shares.

(2) The aggregate of fees payable to the Directors is such sum as may be determined by the Company in general meeting and (unless otherwise determined) is to be divided amongst the Directors as the Directors may determine, or failing agreement, equally. The Directors are also entitled to be repaid all travelling and hotel expenses incurred by them respectively in or about the performance of their duties as Directors. Any Director who performs services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine.

(3) The Directors may establish and maintain pension or superannuation funds for the benefit of, or give donations, gratuities, pensions, allowances, or emoluments to, any persons who are or were at any time in

the employment or the service of or associated with the Company or who are or were directors or officers of the Company and who hold or have held any salaried employment or office in the Company, and the families and dependants of any such persons.

(4) A Director may be appointed by the Directors to the office of Managing Director and/or any other office or place of profit under the Company (except that of auditor) for such period, on such terms and at such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in another) as the Directors may determine.

(5) No Director or intending Director is disqualified by his office from contracting with the Company nor is any contract in which any Director is in any way interested liable to be avoided nor is any Director so contracting or being so interested liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by a Director at a meeting of the Directors.

(6) Save as provided below, a Director may not vote in respect of any contract or arrangement in which he is interested other than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company and he will not be counted in a quorum of a meeting in relation to any resolution on which he is debared from voting.

(7) A Director is (in the absence of some material interest other than as indicated below) entitled to vote and will be counted in a quorum in respect of any resolution concerning any of the following matters, namely:

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(iv) any proposal concerning any other body corporate in which he is interested directly or indirectly whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate; and

(v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes.

Provided that if any questions shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such questions shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned has not been fairly disclosed.

(8) The prohibition summarised under paragraphs (6) and (7) above may at any time be suspended or relaxed to any extent, and either generally or in respect of any particular contract, arrangement or transaction, by the Company in general meeting.

(9) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not otherwise debarred from voting) is entitled to vote and to be counted in the quorum in respect of each resolution except that concerning his own appointment.

(10) The Articles of Association contain provisions for the retirement each year of one-third of the Directors of the Company, other than the Managing Director, retiring Directors being those who have been longest in office since last election.

(11) Section 293 of the Companies Act 1985, regarding the appointment and the retirement of Directors who have attained the age of 70, applies to the Company.

(d) Untraced Shareholders

Subject to various notice requirements, the Company may sell any shares in the Company of a member who is untraceable if, during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to the member in respect of his shares have remained unclaimed and the Company has received no indication of the existence of such member.

8. Taxation:

(i) The Directors have been advised that, immediately following the Offer, the Company will not be a close company within the meaning of the Income and Corporation Taxes Act 1988.

(ii) Clearance under Section 707 of the Income and Corporation Taxes Act 1988 has been obtained in respect of the reorganisation of the share capital of the Company referred to in paragraph 1 above and in respect of the Offer.

(iii) The Inland Revenue have agreed the corporation tax computation of the Company for the year to 31st March, 1988 and its subsidiaries for all relevant periods up to 28th February, 1988. Corporation tax computations of the Company and its subsidiaries have been submitted to the Inland Revenue for all subsequent relevant periods up to 28th February, 1989.

(iv) Under the Deed of Indemnity referred to in paragraph 3 above the Directors have given indemnities in respect of certain taxation liabilities in favour of the Company and its subsidiaries including indemnities against certain inheritance tax liabilities and against certain charges to tax under the shortfall apportionment provisions of chapter III of Part XI of, and Schedule 19 to, the Income and Corporation Taxes Act 1988.

(v) When paying a dividend on shares, the Company has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 1/6 of the dividend paid. Accordingly, the ACT related to a dividend currently equals 25 per cent of the sum of the cash dividend plus the ACT.

For individual shareholders resident in the United Kingdom the ACT paid is available as a tax credit, which shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. A United Kingdom resident corporate shareholder will not generally be liable to United Kingdom corporation tax on any dividend received.

Whether shareholders who are resident in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit depends on the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. However, shareholders who are resident in countries other than the United Kingdom but who are either British subjects or citizens of the Republic of Ireland or certain other classes of person are entitled to a tax credit which they may set off against their total United Kingdom income tax liability or reclaim in cash to the same extent as if they were resident in the United Kingdom.

Persons who are not resident in the United Kingdom should consult their own tax advisers on whether they are entitled to claim payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit.

9. Material Contracts:

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date hereof and are or may be material:

(i) An Agreement dated 21st March, 1988 between the Company (1), J.S. Piasecki and others (2) and Barclaytrust International Limited (3), whereby Barclaytrust International Limited agreed to invest in the Company on the basis of certain representations, warranties and undertakings.

(ii) An Agreement dated 21st March, 1988 between Orlifame International SA (1), Orlifame (2), the Company (3) and Goldsmiths (Jewellers) Limited (4), whereby the Company agreed to buy and Orlifame agreed to sell the entire issued share capital of Goldsmiths (Jewellers) Limited, the aggregate consideration being £43 million, satisfied as to:

(a) £29 million paid in cash at completion;

(b) £1.5 million by the issue at completion of the "A" Loan Note referred to below;

(c) £1.5 million by the issue at completion of the "B" Loan Note referred to below;

(d) £11 million being deferred consideration. This was paid on 21st June, 1988. Intercompany debt of £15 million was repaid to Goldsmiths (Jewellers) Limited by Orlifame.

(iii) A Facilities Agreement dated 21st March, 1988 between the Company (1), Northern Goldsmiths Limited and Goldsmiths (Jewellers) Limited (2), Standard Chartered Bank (3) and the Lending Banks (as defined therein) (4), whereby the banks specified therein agreed to make available to the Company a medium term loan facility of up to £22.5 million and Standard Chartered Bank agreed to make available an overdraft facility of up to £1.5 million upon specified terms.

(iv) An Indemnity dated 28th April, 1988 between Orlifame International SA and Orlifame ("the Covenants") (1), the Company (2), Goldsmiths (Jewellers) Limited (3), and the subsidiary companies of Goldsmiths (Jewellers) Limited (as therein defined) (4), whereby the Covenants, Goldsmiths (Jewellers) Limited and the Company agreed to indemnify each other in respect of certain taxation matters.

(v) A Loan Note dated 28th April, 1988 constituting the unsecured subordinated "A" Loan Note referred to above.

(vi) A Loan Note dated 28th April, 1988 constituting the unsecured subordinated "B" Loan Note referred to above.

(vii) A Guarantee and Debenture dated 28th April, 1988 between the Company (1), Goldsmiths (Jewellers) Limited and specified subsidiaries of Goldsmiths (Jewellers) Limited (2) and Standard Chartered Bank (3), whereby the facilities provided under the Facilities Agreement referred to in paragraph 9(iii) above are secured.

(viii) An Agreement dated 7th September, 1988 between the shareholders of J & M Perkin Limited (1) and Goldsmiths (Jewellers) Limited (2), whereby Goldsmiths (Jewellers) Limited acquired the entire issued share capital of J & M Perkin Limited for the sum of £157,549 in cash.

(ix) An Agreement dated 25th July, 1989 between the shareholders of J.R. Ramsall (Jewellers) Limited (1) and Goldsmiths (Jewellers) Limited (2), whereby Goldsmiths (Jewellers) Limited acquired the entire issued share capital of J.R. Ramsall (Jewellers) Limited for the sum of £849,903 in cash.

(x) An Agreement dated 24th January, 1990 between the Company (1) and Orlifame (2), whereby it was agreed conditionally upon the admission of the Company's ordinary share capital to the Official List of The Stock Exchange ("Listing") (being obtained by 14th February, 1990 that the Company repay in full the £1,500,000 the subject of the "A" Loan Note out of the proceeds of the issue and allotment of new shares being made at the same time as the Listing and that the terms of the "B" Loan Note be varied to the effect that Orlifame be entitled on the first anniversary of Listing either to demand repayment in full of the "B" Loan Note or to exercise its option to the effect that it be entitled to the same number of ordinary shares in the Company as it would have held had it exercised its option immediately prior to Listing. In the absence of any further issues or capital reorganisation of the Company, the number of ordinary shares in the Company subject to this option is 489,561.

(xi) An Agreement dated 24th January, 1990 between the Company (1), J.S. Piasecki and others (2) and Barclaytrust International Limited (3), whereby the terms upon which the Preference Shares and the Redeemable "B" Shares are to be redeemed.

(xii) The Offer for Sale Agreement and Deed of Indemnity dated 25th January, 1990, details of which are set out in paragraph 3.

10. Working Capital:

The Directors are satisfied that, taking into account the bank facilities available to the Group and the net proceeds of the issue of the Subscription Shares, the Group has sufficient working capital for its present requirements.

11. Litigation:

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or other claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries save that on 6th July, 1989 a writ was issued on behalf of Mr. J. S. Piasecki and the Company against Mr. B. J-P Jobin, Mr. C. D. McKenzie, F.M.S. Partners Limited and Segal Quince Wicks Limited claiming damages, injunction and costs in respect of alleged defamation of the Plaintiffs. An undertaking was obtained that the words complained of would not be repeated and on 21st July, 1989 a Consent Order was obtained from the High Court in similar terms to the undertaking. The pleadings have now closed and the matter will be heard in due course in the High Court unless it is settled previously.

12. General:

(i) The expenses of the Offer, including professional fees, printing costs and the application for the listing of the ordinary shares on The Stock Exchange are estimated to amount to approximately £1.29 million (excluding VAT), of which it is estimated that £1.15 million (excluding VAT) will be payable by the Company. Accordingly, the net proceeds of the subscription of the Subscription Shares pursuant to the Offer for Sale Agreement is expected to amount to £10.95 million.

(ii) The financial information relating to the Group set out in the Accountants' Report does not comprise full Group accounts within the meaning of section 244 of the Companies Act 1985. Full accounts of the Company have been prepared for each of the two financial periods ended 28th February, 1988 and those of its subsidiaries have been prepared for each of the five financial periods ended 28th February, 1989, on which accounts the auditors gave in each case unqualified reports. The accounts of the Company and its subsidiaries for the relevant periods have been delivered to the Registrar of Companies in England.

(iii) Save as disclosed in this document, no significant change in the financial or trading position of the Group has occurred since 2nd September, 1989 being the date as at which the latest audited consolidated accounts of the Group were prepared.

(iv) Mr. Sargent acted as Finance Director of Curtin Dream plc for a period of approximately seven weeks immediately prior to the appointment of a receiver on 24th July, 1989. At this stage of the receivership a meeting of unsecured creditors has been held and a receiver's report prepared. It is likely that there will be a substantial deficit to creditors.

Mr. Piasecki was a minority shareholder, non-executive director, and unsatisfied creditor of Seseast Limited which went into creditors' liquidation in 1984 with a deficiency to creditors of approximately £85,000. The liquidation was completed in 1987.

(v) Keyman insurance for the sum of £2 million has been taken out on Mr. Piasecki.

13. Consents:

Ernst & Young and Hoare Govett have given and have not withdrawn their respective written consents to the issue of this document with the inclusion herein, in the case of Ernst & Young of their report and letter relating to the profit forecast, and in the case of Hoare Govett of its letter relating to the profit forecast, and in the case of each of them of the references to them in the form and context in which they are respectively included. Healey & Baker has given its consent to reference to its name and valuation report in the form and context in which they are included.

14. Documents for Inspection:

Copies of the following documents will be available for inspection at the offices of Messrs. Linklaters & Paines, Barrington House, 54-67 Gresham Street, London EC2V 7JA and of Messrs. Wilkinson Maughan, Sun Alliance House, 35 Mosley Street, Newcastle upon Tyne NE1 1XX during normal business hours on any weekday (Saturdays, Sundays and Public Holidays excepted) up to and including 7th February, 1990:

(i) the Memorandum and Articles of Association of the Company;

(ii) the audited consolidated accounts of the Company and its subsidiaries for the financial periods ended 31st March, 1988 and 28th February, 1989;

(iii) the audited consolidated accounts of the Company and its subsidiaries for the six months ended 2nd September, 1989;

(iv) the Accountants' Report and a statement of adjustments made by Ernst & Young in arriving at the figures set out in such report;

(v) the Directors' service agreements referred to in paragraph 5;

(vi) the rules of the Executive Share Option Scheme referred to in paragraph 6;

(vii) the rules of the SAYE Share Option Scheme referred to in paragraph 7;

(viii) the material contracts referred to in paragraph 9; and

(ix) the consents referred to in paragraph 13.

Dated 25th January, 1990.

TERMS AND CONDITIONS OF APPLICATION

1. The contract resulting from each acceptance of an application relating to the Offer will be conditional on the whole of the ordinary share capital of the Company, issued and now being issued, being admitted to the Official List of The Stock Exchange not later than 14th February, 1990 and on the obligations of Hoare Govett under the Offer for Sale Agreement referred to in paragraph 3 of Statutory and General Information becoming wholly unconditional and not having been terminated at the time of such admission. Money collected in respect of applications will be returned (by returning the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post at the risk of the person) entitled thereto to the address of the first named applicant without interest if these conditions are not satisfied and, in the meantime, to the extent such remittances are presented for payment will be retained by National Westminster Bank PLC, New Issues Department, in a separate account. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared by 5.00pm on 8th February, 1990.

2. The right is reserved to present cheques and banker's drafts for payment on receipt by National Westminster Bank PLC, New Issues Department and to retain Letters of Acceptance and surplus application money pending clearance of applicants' cheques and banker's drafts. To the extent such remittances are presented for payment all monies will be retained by National Westminster Bank PLC, New Issues Department in a separate account.

3. The basis of allocation for applications will be determined by Hoare Govett at its absolute discretion after consultation with the Company. An applicant may be allocated new ordinary shares allotted by the Company and/or existing ordinary shares sold by the Vendor (as defined below) in such proportions as Hoare Govett in its absolute discretion may determine. In accordance with the normal principles of English law, the remedies available to persons contracting with the Company in relation to new ordinary shares may differ from those available to persons contracting with the Vendor in relation to ordinary shares sold by the Vendor. The contract resulting from each acceptance of an application shall constitute a separate contract for the subscription of the ordinary shares offered for subscription by the Company and allocated to the relevant applicant and/or a separate contract for the purchase of the ordinary shares offered for sale by the Vendor and allocated to the relevant applicant, and these terms and conditions shall be construed accordingly. The right is reserved to reject in whole or in part, or to scale down, any application including, without limitation, multiple or suspected multiple applications. If an application is not accepted, or is accepted for fewer ordinary shares than the number applied for, the application money or the balance of the amount paid on application (as the case may be) will be returned without interest by returning the applicant's cheque or

Goldsmiths Group Plc

banker's draft or by sending a cheque in favour of the applicant in each case through the post to the address of the first named applicant and at the risk of the person(s) entitled thereto.

4. The Offer is being made by Hoare Govett as agent both of the Company and one shareholder of the Company as vendor ("the Vendor"). By completing and delivering an Application Form, you (and if you sign the Application Form on behalf of somebody else or a corporation that person except as referred to in sub-paragraph (vii) below:

(i) offer to subscribe from the Company and/or purchase from the Vendor (as the case may be) the number of ordinary shares specified in your Application Form (or such smaller number for which the application may be accepted) on the terms of and subject to the conditions set out herein and in the Application Form and subject to the Memorandum and Articles of Association of the Company;

(ii) authorise Hoare Govett, the Company or its agent to send a Letter of Acceptance for the number of ordinary shares for which your application is accepted and/or a crossed cheque for any money returnable by post without interest, at the risk of the person(s) entitled thereto, to your address (or that of the first named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the Register of Members of the Company in respect of such ordinary shares the entitlement to which has not been duly renounced, and, pending such registration, to procure that the name of Hoare Govett (or any nominee or nominees of Hoare Govett) is/are placed on such Register of Members as bare trustee for you in respect of such ordinary shares or, if you renounce your right to any such ordinary shares, in relation to the ordinary shares the right to which has been so renounced, the person(s) from time to time entitled to become the registered holder(s) of such ordinary shares in accordance with the terms of the Letter of Acceptance;

(iii) agree that, in consideration of the Company and the Vendor agreeing that they will not, on or prior to 14th February, 1990, allot, issue or, as the case may be, sell any of the ordinary shares the subject of the Offer to any person other than by means of the procedures referred to in this document, your application cannot be revoked until after 14th February, 1990 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch of your application to National Westminster Bank PLC, New Issues Department;

(iv) warrant that your cheque or banker's draft will be honoured on first presentation;

(v) agree that any Letter of Acceptance and any moneys returnable may be retained by National Westminster Bank PLC, New Issues Department, pending clearance of your remittance;

(vi) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law;

(vii) warrant that, if you sign an Application Form on behalf of somebody else or a corporation, you have due authority to do so;

(viii) confirm that, in making your application, you are not relying on any information or representation in relation to the Company or its subsidiaries other than such as may be contained in this document and you accordingly agree that neither Hoare Govett nor the Company nor any person responsible solely or jointly for this document or any part thereof shall have liability for any such information or representation;

(ix) authorise Hoare Govett or any person authorised by Hoare Govett, on your behalf, to make such returns to the Inland Revenue in relation to stamp duty reserve tax (if any) payable on the contract resulting from the acceptance of your application;

(x) warrant that you are not, and are not applying as nominee or agent for, a person who is or may be liable to stamp duty or stamp duty reserve tax under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);

(xi) authorise Hoare Govett as your agent to do all things necessary to effect registration of any ordinary shares subscribed or purchased by you into your name(s) or into the names of any person(s) in whose favour the entitlement to any such ordinary shares shall have been renounced and authorise any representative of Hoare Govett to execute any renounceable or other document of title required thereafter; and

(xii) warrant that you are not, and are not applying on behalf of persons, under the age of 18.

5. Acceptance of an application, subject to paragraph 3 above, will be effected at the election of Hoare Govett (on behalf of the Company and/or the Vendor) either by notification to The Stock Exchange of the basis of the allocation or by notification of such acceptance to National Westminster Bank PLC, New Issues Department.

6. In accordance with the arrangements described under "Able and Motivated Staff" in this document, up to 10 per cent. of the ordinary shares which are the subject of the Offer are reserved in the first instance for applications at the Offer Price for the benefit of eligible employees of the Company or any of its subsidiaries registered in England and Wales (including certain former employees and directors at the discretion of the Board. Such applications must be made on the special preferential application forms which are being made available to such persons.

7. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself as to the full observance of the laws of any relevant territory, including the obtaining of any governmental or other consents which may be required and observing any other formalities in such territory, and to pay any transfer or other taxes required to be paid in such territory in respect of any ordinary shares acquired under the Offer.

8. The ordinary shares offered hereby have not been and will not be registered under the USA Securities Act of 1933, as amended, and are not being offered and may not be offered, sold or delivered, directly or indirectly, in the USA or to or for the account of any US person.

Each applicant (other than a dealer), by completing and delivering an Application Form, warrants that he is not a US person and is not purchasing ordinary shares offered hereby for the account of any US person or with a view to resale in the USA or to any US person. Each applicant who is a dealer, by completing and delivering an Application Form, (i) warrants that he is not purchasing any ordinary shares offered hereby for the account of any US person or with a view to resale in the USA or to any US person and that he has not knowingly offered, sold, resold or delivered, and agrees that he will not knowingly offer, sell, resell or deliver, as principal or agent any ordinary shares acquired in connection with the distribution of the ordinary shares directly or indirectly in the USA or to or for the account of any US person and (ii) agrees that he will advise all purchasers from him of ordinary shares acquired in connection with the distribution of the ordinary shares of the restrictions on resales in the USA and to US persons set forth above and will further advise any dealer purchasing from him that such dealer must similarly advise any purchasers from such dealer of such restrictions.

As used herein, "US person" means a national or resident of the USA, a corporation, partnership or other entity created or organised in or under the laws of the USA or any political sub-division thereof and an estate or trust the income of which is subject to USA federal income taxation regardless of its source.

Listing and dealing arrangements

Applications must be received by post at National Westminster Bank PLC, New Issues Department, P.O. Box 33, 153-157 Commercial Road, London E1 2DB, or alternatively by hand at National Westminster Bank PLC, New Issues Department, 2 Princes Street, London EC2P 2BD and in either case by not later than 10.00am on Friday, 2nd February, 1990. The basis on which applications have been accepted will be announced as soon as possible thereafter. It is expected that Letters of Acceptance will be posted to successful applicants on Thursday, 8th February, 1990 and that subject thereto, dealings in the ordinary shares will commence on Friday, 9th February, 1990. Dealings prior to receipt of Letters of Acceptance will be at the risk of the applicant. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

Letters of Acceptance will be renounceable until 3.00pm on Friday, 9th March, 1990. In cases of renunciation, Letters of Acceptance (duly completed for registration in accordance with the instructions contained therein) must be lodged with National Westminster Bank PLC, New Issues Department, at either of the addresses mentioned above, by 3.00pm on Friday, 9th March, 1990. After that time shares will be transferred only by an instrument of transfer subject to Stamp Duty. Share certificates will be despatched not later than Friday, 6th April, 1990. The ordinary shares which are the subject of the Offer will be registered free of registration fees in the name(s) of the applicant(s) or person(s) in whose favour Letters of Acceptance, having been renounced, are presented for registration.

Taxation

The Directors have been advised as follows in relation to Stamp Duty and Stamp Duty Reserve Tax ("SDRT").

(a) On the issue of Letters of Acceptance, no stamp duty or SDRT will be payable. Accordingly, where shares represented by Letters of Acceptance are registered in the name of the original subscriber no liability to stamp duty or SDRT will arise.

(b) An agreement to transfer the rights represented by Letters of Acceptance will be liable to SDRT at the rate of 50p per £100, or part of £100, of the actual consideration paid. Accordingly, this tax will apply to any agreement to renounce any Letters of Acceptance for value. Arrangements have been made for any UK stamp duty or SDRT in respect of the issue of Letters of Acceptance to initial applicants and the transfer of shares by the Vendor to initial applicants or renouncees, where payable at the rate of 50 pence per £100 (or part), to be borne by the Vendor. Hoare Govett, on behalf of the Vendor will make the appropriate SDRT notifications. This rate applies save in the special cases referred to below.

An agreement by an applicant or a renouncee to sell Letters of Acceptance or shares will give rise to a charge to SDRT or UK stamp duty (currently at the rate of 50p per £100 (or part) of the price payable under the sale, save as referred to below). The SDRT is the liability of the purchaser, and stamp duty is also usually paid by him. Where the purchase is effected through a member of The Stock Exchange or a qualified dealer, The Stock Exchange member or qualified dealer concerned will generally collect the SDRT or stamp duty.

Special rules apply to members of The Stock Exchange and to persons connected with depository receipt arrangements and clearance services.

(c) No further stamp duty or SDRT will be payable on registration of renounced Letters of Acceptance.

(d) Transfers of shares once registered will be liable to stamp duty in the usual way at the rate of 50p per £100 (or part) of the price paid.

The above statements summarise the current position and are intended as a general guide only. Special rules apply to agreements made by market makers in the ordinary course of their business as such and to agreements made by broker-dealers, and certain categories of person may be liable to Stamp Duty or SDRT at higher rates.

Copies of the Listing Particulars and Application Form may be obtained from:

Hoare Govett
Corporate Finance Limited
4 Broadgate
London EC2M 7LE

National Westminster Bank PLC
New Issues Department
P.O. Box 33
153-157 Commercial Road
London E1 2DB

National Westminster Bank PLC
New Issues Department
P.O. Box 79
2 Princes Street
London EC2P 2BD

and at the following branches of National Westminster Bank PLC:

Birmingham City Office
Colmore Centre
103 Colmore Row
Birmingham B3 3NS

Bristol City Office
32 Corn Street
Bristol BS99 7UG

Edinburgh
80 George Street
Edinburgh EH2 3DZ

Glasgow
14 Blythswood Square
Glasgow G2 4AQ

Leicester
1 Granby Street
Leicester LE1 9GT

Manchester City Office
55 King Street
Manchester M60 2DB

Newcastle upon Tyne
87 Grey Street
Newcastle upon Tyne NE1 6ER

Newcastle upon Tyne
24 Mosley Street
Newcastle upon Tyne NE1 1YW

and at the head office of the Company

Goldsmiths Group Plc
Goldsmiths House
Eland Road
Braunstone
Leicester LE3 1TT

PROCEDURE FOR APPLICATION

The following notes should be read in conjunction with the Application Form

1 Insert in Box 1 (in figures) the number of ordinary shares for which you are applying. Applications must be for a minimum of 300 ordinary shares or in one of the following multiples:

- for more than 300 shares, but not more than 1,000 shares, in a multiple of 100 shares.
- for more than 1,000 shares, but not more than 5,000 shares, in a multiple of 500 shares.
- for more than 5,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares.
- for more than 10,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares.
- for more than 50,000 shares, but not more than 200,000 shares, in a multiple of 10,000 shares.
- for more than 200,000 shares, in a multiple of 50,000 shares.

An Application Form for any other number of shares may be rejected.

2 Put in Box 2 (in figures) the amount of your cheque or banker's draft. The amount of your cheque or banker's draft should be 150p multiplied by the number of ordinary shares inserted in Box 1.

For example:

Number of ordinary shares	Amount you must pay
300	£450
500	£750
1,000	£1,500
5,000	£7,500
10,000	£15,000

3 Date and sign the Application Form in Box 3. The application form may be signed by someone else on your behalf (and/or on behalf of any joint applicant) if duly authorised to do so. Persons signing on behalf of applicants who are individuals must enclose for inspection the relevant power of attorney or a copy thereof

certified in accordance with the Powers of Attorney Act 1971. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

4 Put your full name and address in BLOCK CAPITALS in Box 4. Applications may not be made by or on behalf of persons under the age of 18.

5 You must pin your cheque or banker's draft to the completed Application Form. Your cheque or banker's draft must be made payable to National Westminster Bank PLC for the amount payable on application inserted in Box 2 and should be crossed "Not negotiable - Goldsmiths Offer."

No receipt will be issued for this payment, which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses (and must bear the appropriate sorting code number in the top right hand corner).

Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 4.

6 You may apply jointly with other persons. If you do so you must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons). Their full names and addresses should be put in BLOCK CAPITALS in Box 6. PLEASE NOTE: if you make a joint application you will not be able to transfer the shares into a PEP. If you are interested in transferring the shares into a PEP you should apply in your name only.

7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3).

● You must send the completed Application Form by post to National Westminster Bank PLC, New Issues Department, P.O. Box 33, 153-157 Commercial Road, London E1 2DB, or deliver it by hand at National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, so as to be received by not later than 10.00am on Friday, 2nd February, 1990.

● If you post your Application Form, you are recommended to use first class post and to allow at least two business days for delivery.

● Photostat copies of Application Forms will not be accepted.

MULTIPLE OR SUSPECTED MULTIPLE APPLICATIONS MAY BE REJECTED IN THEIR ENTIRETY.

APPLICATION FORM

Goldsmiths
GROUP

Goldsmiths Group Plc

(Incorporated and Registered in England and Wales; Registered no. 3117655)

Please read "Terms and Conditions of Application" before completing this Application Form.

Offer by Hoare Govett Corporate Finance Limited of 17,105,208 ordinary shares of 10p each in Goldsmiths Group Plc at 150p per share, payable in full on application.

To: Hoare Govett Corporate Finance Limited (as agent for and on behalf of Goldsmiths Group Plc and one shareholder as Vendor)

1 I/We offer to acquire

ordinary shares in Goldsmiths Group Plc (or such lesser number of shares in respect of which this application may be accepted) at 150p per share on the terms and subject to the conditions set out or referred to in the Listing Particulars dated 25th January, 1990 and subject to the Memorandum and Articles of Association of Goldsmiths Group Plc.

2 and I/we attach a cheque or banker's draft payable to National Westminster Bank PLC and crossed "Not negotiable - Goldsmiths Offer" for the amount payable, namely

3 Dated _____ 1990 Signature _____

PLEASE USE BLOCK CAPITALS

4 Mr., Mrs., Miss or title _____
Forname(s) in full _____
Surname _____
Address in full _____
Postcode _____

5 ☐ Pin here your cheque/banker's draft for the amount in Box 2

Fill in the following section only when there is more than one applicant. The first or sole applicant should complete Box 4 and date and sign Box 3. Insert in Box 6 only the name(s) and address(es) of the second and subsequent applicant(s), each of whose signature, or the signature of the person signing on their behalf, is required in Box 7.

PLEASE USE BLOCK CAPITALS

6 Mr., Mrs., Miss or title _____
Forname(s) in full _____
Surname _____
Address in full _____
Postcode _____

7 Signature _____ Signature _____ Signature _____

Note: Attention is drawn to the warranty concerning US persons contained in paragraph 8 of "Terms and Conditions of Application". Before making any application to acquire any ordinary shares you are recommended to consult an independent financial adviser.

Settlement prevented later claim

It included, he said, any damages and costs that Mrs. Leiper might have to pay to Mr. and Mrs. O'Boyle; an express

to exclusion would be necessary to make it otherwise.

That was correct. It was for the court to decide whether the correspondence and the draft statement of claim warranted to be taken to be the intention that parties people who had had the situation themselves.

From March 1984 the parties had been directing their attention to the correspondence and suffered by Mrs Leiper. But on an objective assessment that alone was not to be taken as the subject matter of the compromise.

The judge was correct in holding that the natural inference from the correspondence and the draft statement of claim was that a compromise was intended to

the rule that laws of another country relating to limitation would apply where they were to be taken into account.

Section 2(2) provided that an exception was to be made where there was a conflict with public policy to the extent that that application of the 1984 Act

Exception to effect of foreign limitation period

something more than just hardship. It meant excessive or a greater hardship than the circumstances warranted.

Undue hardship on the plaintiff had been caused by her long hospitalization and by the belief that her claim would be met.

The plaintiff suffered no excessive hardship by the imposition of a 12-month limitation period to her claim and she could rely on the section 2(2) exception of the 1984 Act.

Lord Justice Neill gave a concurring judgment and Sir John Megaw agreed.

Solicitors: Nurdin & Nurdin, Belham; Davies Arnold & Cooper, Keene Mansfield, Stempsey, 100, The Highway & Co, Fitzharding.

[illegible]

W

W. _____

M3 EVOLUTION
RHD
Macan blue. Electronic
suspension. Air conditioning.
Mica spec. 14,000 miles. '88. F
reg. Mint condition. £26,995
free quick sale.

535i
1986 D reg
Zimmer red.
Manual, ABS, Electric BMW
glass roof. Onboard

[illegible][illegible]

CS A850, V reg, only
\$18,000.00 5 wheelers, MDT,
\$1,800.00 01-02-02 9877.

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driver, full black leather, High
end. POA, LMT Garages 06533
\$58411 Sun 10.50 - 4.00

CS A, steel blue, 1987 E,
CS A850, LMT, air cond, ESR,
1987, 1987, 1987, 1987,
SH, MDT's car, priced to sell
\$117,750. Tel. 04073366

55 evs evs (02285) 890172

E16,560. Tel: 0207 507433.

MS 49 89 Black/Black leather
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wheels, 2 mirrors, 5,000 rubber
\$22,000 01-01-95-12-1

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MS, 65 D, immaculate, Peabody
air conditioning computer, a
toy, manual, AHS, PAS, FSH
\$16,500. Tel: 04042 890172

driver, full specification, 4,000
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\$7,750. (incl. \$750. cash)
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(incl. \$750. cash) (w/over-
wintered) (gas/wintered) (gas/wintered)

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new electric windows / windows
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limited petrol, 30,000 miles only.
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limited petrol, 30,000 miles only.
\$5,990

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MADE TYXZ 1989, Fiat, twin
creeper, extra metallic extra
chrome, 17,000 miles, \$23,900
Tel. (0993) 86732/568954

SCORPIO Granada 2.8i (C)
1986, metallic blue, all extras,
full Tax, F34, lady owner,
excellent condition throughout.
Call to be seen, £7,450 ono. Tel
01223 822222

RENAULT Escor. 2000, GTL
June 68, 19,000 miles. T
Extral. Red. K1380. Tel
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SEBIRA 1.5i Chis estate, 1986,
absolutely immaculate, very
conceivable extra including
1 roof, tow bar, remote control
locks, quick sale, hence
£4,999 net 01-487 7236 eve or
0344 892906

DA Interns. 16 valve. Std.
y 89. 7,500 mths. 1 owner.
Mile. 89,500. Tel. (0625)
5451 office or (0625) 31495

1984 31.63 cc. Black. accel.
extra. Est. \$4,300. (0634)
842836 (W) (0880) 240927 (H).

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944
Lux 86, C. Garnet,
FSR, 215 x 60, FJF,
FSH, 60,000 miles
£12,995.

Tel
(0246) 450473 day
(046) 411953 evenings.

96 (C), immaculate. White.
w/ner. 18,000 miles. 538.
m etc. \$12,600. Tel. 0473
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85 °C Guards Red. 1 Doc-
tor. w/ner. air cond. atty.
main dealer maintained.
495. Nissan (Worthing)
0243 860306.

986, white, full red leather.
extra. 38,000 m. FSH, 23
immaculate. Hence
extra. 38,000 m.

0860 496232

CARRERA
Targa sport. Guards
red. 7,000 miles.
March '88. Black
leather sports seats.

1985 B. green, crystal clear, like
a real, good extra.
etc. A quick sale hence
2500, Mr Marshall, Tel
01-250642 and work 01-
1172.

1986, 96 D (87 model), air
turbo, leather interior, air
A, 1.800 miles, Remote
control, 1000000, Pioneer
stereo, 1000000, Pioneer
system, 1000000, Pioneer
960 ono. Tel (0737) 37

Immaculate, £36,000.
No offers.
01-309 1181.

AUGUST 1987, 928 54 white,
white colour coded wheels, full
leather interior, Limited edition,
dash, Electric sunroof, CD player,
Radio-telephone, 27,000
miles only, FSH, Mini com-
pact, Offers only.

res. White with burgundy
or. Dot, e.s.r. elec. wind.
wires. Remote alarm, central
locking. Car phone, 10
34,000 miles. F5H. 6 mil.
Porsche warranty. Immac.
Tel. 01-950. Tel. (0532)
69 H (0532) 459485 B

CAMERA TARGA August 85/C
Black, leather int.
F5H. New clutch, new
tyres. 50,000 miles. £25,750.
Tel. 01-341 3311.

D 911 Targa super sport turbo
body. Guards red/black
interior. 30,000 miles. £39,980 Tel.
0203 585555

1974 Ford, excellent condition,
 7000, Turbo 1101 843-5737.

Apr. 27, 1 owner, FSH,
 10 miles, \$17,500. Needs
 C. 021 573 8491, 021
 9900 (Sun).

1980, Guards Red, linen
 n. air cond. Full Leather
 v. superb, Bargain
 030, 0636 218886

NEW 1981 Turbo LHD
 Silver/Black
 \$58,500 Tel: 01-485 1015. T.

PORSCHE 928 S4 automatic, F
 reg 1982. Camels leather with
 full leather upholstery. 1
 owner, 15,000 miles, Porsche
 service history, 12 spools well
 worn, any inspection, \$25,995.
 Tainworth Car Centre (0827)
 251364 0826 254636. T.

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MOTURING

By Kevin Eason
Motoring Correspondent

Fuel campaign needs a top-up

The effort to persuade motorists to use unleaded petrol has been halted by confusion and misunderstanding

It may hurt the Chancellor, John Major, to loosen the purse strings at a time of economic stringency, but the Government's green motoring campaign is badly in need of generous financial help. The drive to convince motorists to change to unleaded petrol, which was put into top gear last year with a 10p tax cut, has virtually stalled.

The latest figures show that use of unleaded fuel has hit a ceiling at just over 28 per cent of all petrol sold on Britain's 20,000 forecourts. This means there has been an increase of only one percentage point in the last quarter of the year — hardly a sign that Britain's motorists are falling over themselves to go green, despite a price differential that has widened to about 12p a gallon (2.7p a litre).

Yet it is any wonder that many motorists still shun the blandishments of the environmentalists and well-meaning ministers? For the whole unleaded issue has disintegrated into a fog of misunderstandings, half-truths and



dealers, is resulting in severe engine damage, costing up to £1,000 in repairs for cars not suitable for unleaded.

The next time our Sierra driver goes to his local forecourt, he will do the inevitable and fill up with ordinary four-star. It is just not worth his while risking his engine and a few nights' sleep worrying about the whole thing.

Pity also the motorist who goes "all green" and buys a new car, with a catalytic converter, the pollution control equipment that demands unleaded fuel only. The oil business scoffed last September when *The Times* published the worries of Peter Ward, the chief

executive of Rolls-Royce, over dual pumps that serve both four-star and unleaded. Ward warned that even small amounts of leaded fuel would ruin the converter, which costs between £250 on a small car and £2,200 on one of his Crew-built saloons.

Nonsense, said the oil chiefs. There was no danger and, anyway, there were plenty of dedicated pumps around.

That is certainly not my experience. Driving into an M1 filling station with my catalytic-equipped Saab, I discovered that every one of a dozen pumps was dual-serve — and with a wide nozzle that would not fit into the Saab's

54 per cent of motorists say they would spend £100 on a catalytic converter, according to this week's MORI survey for *Lex Service*, Britain's biggest retailing and leasing group. But as the cost rises, drivers become less willing to invest in the equipment, underlining the need for tax incentives.

80 per cent say the Government should require immediately all new cars to be fitted with catalysis (92 per cent in the south-east). However, when the cost reaches £500, the number of motorists willing to buy a converter dwindles to 5 per cent.

about the money they could save by using unleaded.

The second is to force the pace on catalytic converters. The excuse that European legislation demanding catalysis on all new cars is effective in two years is not good enough. West Germany offers up to £300 in tax rebates to motorists who buy cars with converters or have them retro-fitted, to take the sting out of extra costs they may face. This pioneering action is one of a series that has meant that unleaded use is well over 60 per cent and rising fast.

It could happen here but it needs a shove from the Chancellor in his Budget on March 20.

ROADWISE

Top-UK, the insurance company based in St Albans, Hertfordshire, is promising 5 per cent discounts to drivers who take a night-vision test. It says a third of claims come from night accidents and many could be caused by poor vision in the dark. Details 0747 45979.

A much-neglected component could be the cause of accidents simply because motorists do not realize there is a problem, says Superdrive, the fast-fit chain. Shock absorbers are usually checked only at test certificate time, but the company warns that worn or broken shocks distort handling and steering.

BMW is adding more models to its 3-series range next month. The "Lux" 318i and 318i cars will feature black satin chrome alloy wheels, rear spoiler and sunroof. Prices: £13,500 for the 318i and £14,500 for the 318i, both 35 per cent cheaper than previous similarly equipped models.

The 10 best-selling company cars in 1989. *Lex Vehicle Leasing* says: Vauxhall Cavalier, 2 Ford Sierra, Vauxhall Astra, Vauxhall Astra Belmont, 4 Vauxhall Carlton, 5 Ford Escort, 6 Peugeot 405, 7 Ford Orion, 8 Ford Granada, 9 Citroën BX, 10 Ford Fiesta.

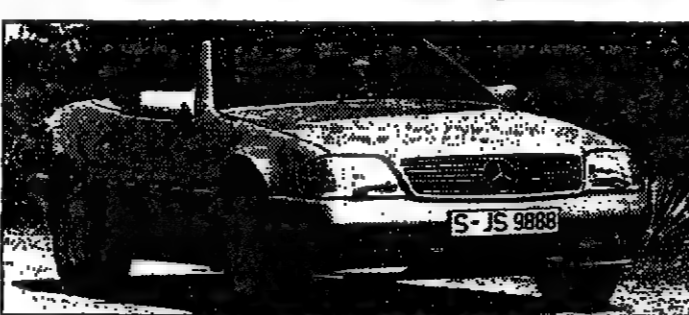
The great Merc stampede

Enthusiasts with good taste, but more money than sense, have been paying black market prices of £100,000-plus for the scarce Mercedes SL coupé, which became available before Christmas.

In an effort to avoid a three-year waiting list, buyers are waving their cheque books frantically to get one of the 1,200 glamorous sports cars going, which will be on sale in Britain this year. The specialist magazine *Auto Express* says that an SL 3-litre, 24-valve version officially priced at £46,270 has changed hands for £100,000, and a 5-litre with a list price of £58,045 was on offer for £135,000.

Mercedes-Benz takes a dim view of the behaviour that has turned the trade in its cars into an unseemly scramble, try as it may to prevent it.

Buyers' names and addresses are registered on computer files to stop multiple applications for the cars, but there is no way that avaricious owners can be stopped from selling the vehicle once



In demand: the SL fetches mad prices but the black market cannot last

bought, even though Mercedes has asked them to hang on to it for at least a year before re-selling.

John Evans, the company's public relations general manager, says: "It is like the ridiculous scrambling that went on for British Telecom shares, with multiple applications and suchlike."

"We have heard of one car that has been bought and sold four times since the end of December, the price going up all the time."

But Evans has a warning for anyone else planning a get-rich-

Renault fights for fleets

Fleet buyers in the British car market will always be spoilt for choice. Every manufacturer is gearing models specifically to the demands of the company car user who wants high levels of trim and performance and economy and low running costs.

The hottest area of the market is in the compact class, which takes up just over 34 per cent of UK sales with market leaders such as the Ford Escort/Orion, Vauxhall Astra/Belmont, Rover 200 and Volkswagen Golf/Jetta.

However, one manufacturer that has been slow to pick up fleet sales is Renault, which was never able to carve out its own niche of sales.

Renault now hopes potential buyers will have seen the advertising and drive the car. The Chamade, of course, is the little saloon that acts as a getaway car for a gang of jewel thieves in the present glossy television ad. Unfortunately, the getaway driver falls in love with the Chamade and refuses to dump it on orders of the

gang, and we are led to believe they are all arrested.

Renault hopes the new Chamade package will be just as arresting for the potential fleet buyers. Its sister, the R19 hatchback, has notched up 25,000 sales in the UK.

The car comes with a range of three engines — 1.4-litre and 1.7-litre petrol and a 1.9 diesel — and three trim levels. The diesel returns 38.7 miles to the gallon (7.3 litres per 100 kilometres) around town while the potentially

popular 1.4 version offers 35.8mpg (7.91 per 100k) in town, with a top speed of 108mph and a 0 to 62mph time of 12.2 seconds. More important, Renault claims best-in-class cabin space thanks to its relatively low wheelbase, which also spins over into boot room of 16.4 cu ft.

Is this enough to persuade the fleets to change their habits? Time alone will tell whether Renault's Chamade will prove equally successful at smash-and-grab off the screen as on it.



The robbers' car on TV: will it get away with British company orders?

CAR BUYERS GUIDE

01-481 4000
PRIVATE ADVERTISERS

FOUR WHEEL DRIVE

FIELDS
1989 Volvo 460, 1989 Volvo 740, 1989 Volvo 760, 1989 Volvo 780, 1989 Volvo 940, 1989 Volvo 960, 1989 Volvo 980, 1989 Volvo 990, 1989 Volvo 1000, 1989 Volvo 1020, 1989 Volvo 1040, 1989 Volvo 1060, 1989 Volvo 1080, 1989 Volvo 1100, 1989 Volvo 1120, 1989 Volvo 1140, 1989 Volvo 1160, 1989 Volvo 1180, 1989 Volvo 1200, 1989 Volvo 1220, 1989 Volvo 1240, 1989 Volvo 1260, 1989 Volvo 1280, 1989 Volvo 1300, 1989 Volvo 1320, 1989 Volvo 1340, 1989 Volvo 1360, 1989 Volvo 1380, 1989 Volvo 1400, 1989 Volvo 1420, 1989 Volvo 1440, 1989 Volvo 1460, 1989 Volvo 1480, 1989 Volvo 1500, 1989 Volvo 1520, 1989 Volvo 1540, 1989 Volvo 1560, 1989 Volvo 1580, 1989 Volvo 1600, 1989 Volvo 1620, 1989 Volvo 1640, 1989 Volvo 1660, 1989 Volvo 1680, 1989 Volvo 1700, 1989 Volvo 1720, 1989 Volvo 1740, 1989 Volvo 1760, 1989 Volvo 1780, 1989 Volvo 1800, 1989 Volvo 1820, 1989 Volvo 1840, 1989 Volvo 1860, 1989 Volvo 1880, 1989 Volvo 1900, 1989 Volvo 1920, 1989 Volvo 1940, 1989 Volvo 1960, 1989 Volvo 1980, 1989 Volvo 2000, 1989 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Poll finds small firms ignore 1992 prospects

By Derek Harris

Many small firms are ignoring 1992, with its prospect of a single European market, according to MORI (Market & Opinion Research International).

MORI found in a survey of firms with turnovers between £5 million and £50 million that only 22 per cent of small businesses were gathering information relevant to 1992 changes while a mere 5 per cent were conducting market research.

The survey was for Grant Thornton, the chartered accountancy firm. Mr Patrick Brooke, its Euro-market specialist, said: "Small firms should not let factors like the rise in interest rates or political changes within the continent itself blur their view of the central 1992 message."

The least preparations have been made by newer businesses and those in the north of the country. Most felt the single European market was alien to their business plans.

Even so, more small businesses are getting to grips with Europe. MORI found 18 per cent already in the wider market compared with 8 per cent in an earlier survey. This time 33 per cent said they were doing nothing at all about the single market while previously it was 53 per cent.

Mr Brooke maintained: "Any business — regardless of size —

will be affected by the single European market. The increased competition is bound to bite hardest on the least prepared."

Is this too sweeping? Many small businesses serve strictly local needs and are very much bound up with a local culture. Certainly it may be questionable whether a big proportion of small firms can achieve success in mainland Europe.

But the prospect of hotter competition, and changes especially in distribution patterns, will be ignored at any business's peril.

MR FRIDAY



"Power dress size."

Pipes attract world custom

By Veronica Heath

A map of the world on the wall of the small pipe maker's office in Longframlington was plastered with coloured tags.

Mr David Burleigh, master craftsman of the Northumbrian smallpipes, explained: "Each of those marks indicates a recent order. California hosts some of my best customers, as well as Canada and New Zealand." Apparently, the pipes have an enormous appeal for expatriates. "Pipe music stirs the soul. The tunes and the haunting melodies take them back to their roots."

Northumbrian smallpipes have not changed in 200 years and Mr Burleigh is now copying models from 1820. He is the only pupil of the late Mr Jack Armstrong, who was personal piper to the Duke of Northumberland. Mr Armstrong taught many pupils to play during his lifetime, but only one how to make the instrument to his unique specification. "Jack was getting old," said David. "And he realized that unless he passed on his craft to a pupil, the secrets and the skill would die with him. I was the one he chose to teach how to actually make the smallpipes."

In fact, Mr Burleigh insists that he is not a craftsman. He regards himself as a commercial, professional pipe-maker. He makes one set of smallpipes a week and has a waiting list of customers. Part of his service to clients is to give lessons on how to play the instrument. Prices range from about £300 for a basic seven-key chanter standard drone set, to £450 for a 17-key chanter with six drones. A set made in blackwood



Keeping alive the secrets of a great musical tradition: David Burleigh, master craftsman at his workshop

and silver, or ivory and silver, costs more and customers have individual key styles.

Mr Burleigh said: "These specialist sets are a delight for me to make, but they aren't my bread and butter. Demand has escalated to such a degree that I concentrate on producing instruments in a reasonable price range." A specialist set can take six weeks to complete.

All sets are made in African blackwood, which is expensive

and scarce, but has the finest tone potential of any known wood and has been used exclusively by makers of woodwind instruments for more than 150 years. Metalwork on the pipes is brass (unless silver is expressly ordered) and the trimmings are imitation ivory. The pipe bag is hand stitched leather and covers can be made in velvet, shepherds plaid or tartan. The blackwood and leather are the two main overheads.

Mr Burleigh's secretary is an

expatriate and was lured back from Australia by her love of the smallpipes. She said: "People from all over the world call in to see David."

"Often, they are people who have visited Britain's only beguiling museum at the Chantry in Morpeth, only a few miles from our workshop here. This brings us customers and with many thousands of visitors visiting the museum, we know that the business must expand."

BRIEFINGS

More than a quarter of smaller businesses are having increased difficulty in collecting money owed to them because of high interest rates, according to a survey of members by the Forum for Private Business, the pressure group. Worst-hit are wholesalers, construction companies and manufacturers, especially those in the South-east and in the Yorkshire and Humberside region. The findings add strength to the campaign for curbing late payment of business bills. The Forum for Private Business has been rallying support for a Private Member's Bill being put forward in the Commons by the Conservative MP, Mr Michael Bates, and there is now backing from the Institute of Directors, the National Chamber of Trade, the National Farmers' Union and the Union of Independent Companies. The legislation would give smaller firms the right to collect interest on overdue debts from big businesses and the public sector, but it would not apply to transactions between smaller companies, nor to small businesses indebted to big ones.

American Express, the charge card company, which last year launched its Small Business Service, tailored to meet the needs of smaller firms for travel and financial services, including expenses management, is adding a full car-breakdown service through the RAC.

An "accelerated growth programme," designed to stimulate small businesses, is being launched by Greater London Enterprise. Six training sessions, beginning early next month and lasting throughout the year, will cover basic business skills from sales to management plus individual counselling. The fee is a subsidised £1,250. Mr Peter Saunders, the courses director, has links with the Cranfield Business School and Imperial College. For further details, contact: Sally Walton, Enterprise Training Centre, (01) 403 0300.

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TENNIS

Fernandez faces up to the realities of trying to beat Graf

From Andrew Longmore, Tennis Correspondent, Melbourne

Only Mary Joe Fernandez, a slip of a girl from Dominica playing in her first grand slam final, stands between Steffi Graf and her third Australian title tomorrow.

It is tempting to add that injury or the flooding of the Yarra River is more likely to cause an upset than Fernandez. Yet there was a grain of hope for her in Graf's semi-final win over Helena Sukova.

Sukova not only took the first set off the champion in three years and 20 matches on the Rebound Ace surface of Flinders Park, she actually had real chances to win.

She was within one point of taking a 3-1 lead in the final set, and only lost her nerve when serving to stay in the match at 5-4 down. Even then, the big Czechoslovak girl, who ended Martina Navratilova's record 74-match unbeaten run in the semi-finals of the Australian Open in 1984, had two points for the game.

"It was not a case of her winning the match," Sukova said. "It was me giving it back to her. I made mistakes and that made the difference."

Ironically, the three shots which let her down at the vital moment were the three which held up so well for the previous two sets. She missed a volley, double-faulted to give Graf a match point, and then put a forehand wide.

Graf, who had seemed to be in even more of a hurry than usual, could not wait to get off court. She knew better than

anyone she was lucky to win. "It is good to feel I won when I'm not playing well," she said. "I've had a good break, I've been practising very hard, but I don't have the 100 per cent feeling I need."

Come the grass of Wimbledon in June, and the sight of Navratilova on the other side of the net, the West German's single-mindedness will doubtless return. Right now, she is struggling to raise her game above the mediocre.

Graf needs motivation and there is none for her here. Arantza Sanchez and Navratilova, two of the four players who have beaten her since January 1987, are not playing. Of the other two, Shriver is doing interviews for television, and Sabatini is back in Argentina resting her injured ankle.

"I have beaten Helena 14 times and, recently, have had an easy time against her. Though I was prepared, I was not as concentrated as I may be would be against the very top players," Graf said.

Sukova, whose toughest match of the tournament had been against Sarah Loosmore, of Wales, in the third round, played extraordinarily well. Her game has always been played from the net, but she did not rush in as she sometimes does. She bided her time, put pressure on Graf's suspect backhand, and volleyed crisply, giving Graf no second chances.

In response, Graf did the

only thing she knows how to do when her back is to the wall: she increased the tempo of the match, playing as if the last bus was leaving in five minutes. She even ran to change her racket in the middle of a game.

Mostly, that relentless rhythm is her strength; just sometimes, when she rushes her shot and tries to finish rallies too quickly, it is her weakness. That was the case yesterday and yet, in the end, she won, not stylishly nor with authority, and certainly not playing at her best.

Fernandez, a United States Wightman Cup player, could say the same after her victory over Claudia Porwik in the other semi-final. Fernandez, who has been coached by the Yorkshireman, Jason Goodall, for the past four months, is basically a clay court player.

She is patient, consistent and cunning. She reached the semi-final of the French Open, and used the experience to good advantage against the West German, who is ranked over 50 places below her.

It was a dreadful match, littered with mistakes. Understandably, Porwik was nervous, unable to find any rhythm on her groundstrokes or her service, and Fernandez, the No. 6 seed, only had to keep the ball in court to win, which suited her well. It is how she generally wins.

That will surely not be enough to beat Graf. While Sukova, playing at her very best, has the all-court game to beat Graf on an off-day, Fernandez has no real weapon in her armoury other than fitness and tenacity.

She rarely comes to the net and relies on her backhand for winners. Fernandez has won only nine games in their matches. "I'll try to pretend it's someone else," she said. That seems a realistic plan as any.

WOMEN'S SWEDISH CADDIE: Swedish caddy Peter Dazley (left) and Graf (right) in the final of the Volvo PGA Championship at Wentworth, 1989. Graf won 6-3, 6-1, 6-3. Dazley, 24, is a former professional and has been caddy for Graf since 1987. He is now a full-time caddy.

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GOLF: SWEDISH CADDIE BREAKS NEW GROUND BY BECOMING THE FIRST LADY OF THE FAIRWAYS



Serving the Master: Fanny Sunesson, Faldo's new caddy

Faldo hires woman to be his club carrier this season

By Mitchell Platts, Golf Correspondent

Fanny Sunesson, a Swede and the only professional female caddy on the tour, will carry Nick Faldo's clubs this season. In April she could be working for arguably the best golfer in the world at Augusta, which will recently be the exclusive domain of male caddies. It is predicted that Faldo will occupy first place in the Sony World Rankings when he defends the Masters.

"I don't envisage there being any problems at the Masters or anywhere else," Faldo said. "I know she is a woman in a man's world and that there is the novelty factor. Ken Green's wife, Fanny, was his caddy for a while. She has been on the tour for a long time and I know she is a very good caddy."

Faldo has parted company with Andy Procter, with whom he won the Open Championship in 1987 and the Masters last year. "We've parted on good terms," Faldo said. "I think Andy might have liked me more years ago, but he is going to himself towards counting off the tour, but I felt the time was right to make the split."

"Andy has been a wonderful caddy for me but during the second half of 1989 I considered that we were not communicating well enough. Andy is essentially a quiet guy and at times I need very positive moral support out there on the fairways."

"I encouraged Andy to speak up if he saw a fault in my game but he found it difficult to do that. We've also both been under a lot of pressure these last three years. Andy felt as much as me because he was also in the spotlight. We spent a lot of time together but you can get stale."

Procter, who began as an assistant professional at Harrogate in Harrogate, is recognized as one of the leading caddies along with Peter Coleman (Bernard Langer), David Murgrove (Sandy Lyle) and Ian Wright (Severiano Ballesteros). "I'm disappointed that things happen," Procter, who will work for Ken Brown, said.

Sunesson, however, has impressed Faldo. She caddied for several players before moving last season to Howard Clark. "I was partnered half a dozen times or so with Howard in 1988 and Fanny seemed a very nice girl who was very keen on the game," Faldo said. "She also worked for me in a couple of practice rounds. It was then when talking with her that I discovered she had played to a handicap of one. But what really impressed me was how enthusiastic she was to learn about the swing."

Sunesson is certain to make a healthy living working for Faldo. He is capable of earning more than £500,000 in prize money.

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RUGBY UNION: THE WELSH GAME HAS ONLY ITSELF TO BLAME FOR FINDING ITSELF IN THE DOCK

Why the sin bin should be consigned to the dustbin



There is a notion that the failings of Welsh rugby in the 1980s can be attributed to what came to be known as the Ringer affair. Welsh rugby became so associated with Peter Ringer was sent off at Twickenham in 1980, the theory goes, that the game was fit to be consigned to the dustbin. The sin bin, as it is known, was a place where the boys, as it were, were sent to cool off.

With the events of last week, it is to be hoped that what happened to Kevin Mosesley is not going to be held as a similarly significant event in the history of Welsh rugby. The sin bin, as it were, is a place where the boys, as it were, were sent to cool off.

It has only itself to blame. The Ringer incident should have been an occasion to take full stock. It should have demonstrated what is and what is not acceptable behavior, and to set a standard for the future. To identify the Ringer incident as the source of the malaise because, as others outside interpreted, a feeble excuse for weaknesses elsewhere.

It was introduced as a sin bin to be seen as upholding some of these weaknesses. The sin bin experiment is now in its second term and so far there has been no sign of a better game.

It is meant to represent a cooling-off period for a player who, in the referee's view, has committed a foul which is not quite bad enough to merit an early bath but deserves more than the customary dressing-down. The sin bin, as it were, is a place where the boys, as it were, were sent to cool off.

For the referee, the light suddenly shines in knowing there are grades of violence which the authorities find, relatively speaking, acceptable. The authorities themselves create a very narrow range of acceptable behavior. The sin bin, as it were, is a place where the boys, as it were, were sent to cool off.

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North Walsham's moment of truth

By David Hands, Rugby Correspondent

If relative league positions mean anything, then the irretrievable rise of North Walsham should come to a halt at Headingley tomorrow when they play the second-division Yorkshire club in the third round of the Pilkington Cup.

The men of Norfolk, though, may not subscribe to that. Their cup history has brought them experience, albeit in a losing cause, against Saracens, twice, and Rotherham, with whom they had a rare tussle in 1984 before going out in the second round. They are used to playing above their station and did exactly that in the last round this season, when they flew to Redruth and came away with a 22-0 victory, after winning their cup campaign with a 15-3 win over Swanage and Wareham.

Redruth, which is North Walsham's destination if they remain at the head of London's first division, in which they are presently unbeaten. Given the state of affairs in the national third division, it is not impossible that North Walsham may be promoted and London Welsh demoted at the end of the season, which would put the two together during 1990-1, a situation unthinkable as little as 10 years ago.

At

Wheatley's plea for a championship of four-day matches

Ossie Wheatley, the chairman of the Test and County Cricket Board's cricket committee, has reiterated his strong belief that the future of the English game at the highest level depends upon a new county championship structure of 16 four-day matches.

In an open letter, Wheatley has spelled out the importance of the proposed new structure being introduced for the 1991 season.

He says that at a TCCB cricket committee meeting on Monday he was "surprised to learn that one county had already decided its attitude... without the advantage of seeing the final recommendation, which will be contained in papers to be submitted to the board's meeting in March."

Wheatley adds: "I was also concerned to hear that at least three other counties intend to ballot their members shortly on the question... possibly before the board papers are circulated."

Anxious to ensure that before members are asked to vote they should be aware of all the issues involved, Wheatley says: "I would ask you to bear in mind that there is far more to the proposed new

structure than just replacing the present unbalanced 22-match mix of three and four-day cricket with 16 four-day matches. It involves the future health of England at the highest level.

"If the huge amount of money England produces for cricket as a whole from Test matches is to be maintained and improved, it is time for the counties to reinvest in England now."

"At the December board meeting the counties made it abundantly clear that they would not entertain a reduction in the number of one-day limited-over competitions we play, because of the financial return they produce. That leaves only the championship to produce the standard of player needed to be successful at Test match level."

"We have done all that we can in terms of improving the mechanics of the game with balls, pitches etc. Now we need to improve the way it is played, and all the people involved closely with England - the players, captains, England committee, and a clear majority of the cricket committee - believe a four-day championship cricket is the answer."

"The proposed new structure allows, for instance, extra preparation time before each Test match which our opponents in this country already enjoy. We have also taken into account the interests of members in providing championship cricket on most Saturdays, with cup semi-finals and finals on other weekdays, as well as allowing flexibility in the fixture schedule to enable at least some festival cricket to continue."

Wheatley ends: "The cricket committee, supported by the marketing committee, feel it is essential we change now to safeguard future Test match revenue. Unless we do so, we fear members will face substantial increases in membership fees, to enable county clubs to balance their books."

Hastings Grounds Careworn batting by young England

The Central Ground at Hastings, which was to have been developed this winter, has had a day of execution (see Tennis writes). Owing to the adverse economic climate, Speyhawk Retail plc has delayed construction work.

The delay means that Hastings Priory will be able to play club cricket on the ideal ground for the first time in the summer.

Edwards said that he thought Speyhawk had been "a little bit slow" in the economic situation improved. "They have committed themselves to a great deal of money," he said. A new ground which Hastings Priory and, ultimately, Sussex, will play on has been built about a mile from the town centre.

A spokesman for Speyhawk said: "We are having discussions with retailers and will definitely be going ahead with a £50 million development at the end of the year. The new ground will be in excess of £100 million."

Left with the task of scoring 369 for victory, the President's XI began the day with some hope on a placid pitch. But a disastrous morning session left them reeling at 110-6 at lunch and a rainstorm, spurring a catch to Kiran More, the wicketkeeper.

Rutherford was tipped as the man who could sway things the President's way and he appeared in fine form. He hit six fours on his way to 30, but he was then out to a rash stroke, spurring a catch to Kiran More, the wicketkeeper.

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FOOTBALL: SHEFFIELD UNITED MANAGER LOOKS FORWARD TO CUP TIE AGAINST HIS FORMER CLUB



Taking in every word: Agasa, the Sheffield United forward, listens to the instructions of Bassett, his manager, at training

Bassett reveals in a new passion

By Ian Ross

It is two years since Dave Bassett left his job as manager of Watford to undertake the formidable task of reviving the fortunes of Sheffield United. His rather surprising decision to move north was not, he insists, a gamble, but more of an inviting challenge.

"I did not feel it to be a gamble because I knew that this club had tremendous potential," he said. "The challenge for me was to help realize that potential. It was an adventure but, to be honest, one which I was not sure I would take in the beginning. Everything has worked out fine, though. I am glad I did it. I have no regrets."

"I think that the people of south Yorkshire have accepted me; adopted me in a way. I have always been a larger man but now

Welling in formidable form

Non-League football by Paul Newman

Welling United entertain Stamford Rangers tomorrow hoping to record their seventh successive GM Vauxhall Conference victory and step closer to realizing their ambition of promotion to the Football League.

The best sequence by any Conference team this season has left Welling in sixth place, only six points behind Mansfield Town, the leaders, who have played three more games. If Welling took advantage of all their matches in hand the only team in a healthier position would be Darlington, who are four points ahead. Welling played the same number of games. Welling entertain Darlington on the final day of the season and have still to rearrange the reverse fixture against Northwich last week and played our best for quite a while.

Welling were formed only 27 years ago (by two brothers, Graham and Barrie Hobbins, who today are general manager and secretary, respectively), were playing Sunday park football as recently as 1971 and have progressed without any significant financial backing and despite the competition of several local non-League clubs. Earlier this season they enjoyed their first FA Cup victory over a League club - their Kent neighbours, Gillingham - and have recorded their latest sequence despite the disappointment of losing in a third replay to Reading in the second round.

Nicky Bridgen, who is in line for a Conference record third successive manager-of-the-month award, said: "We were very tired after the Christmas programme and we've been winning matches despite not being at our best. I'd been fully expecting us to lose a game until we won at Northwich last week and played our best for quite a while."

"Any of the bigger Conference clubs in our position would reckon they had a great chance of winning the league, but our players haven't really thought

about it yet. I believe they're capable of it, but we can only discuss it seriously if we're in contention come the end of March."

Bridgen, who at 31 is one of the youngest managers in senior football, was assistant manager for six years before taking over the reins the summer before last. He has kept a settled team, built around men like Reynolds and Horton, who have played in the Conference for several years. Burgess and Ransom, club stalwarts with more than 500 and 700 appearances respectively behind them, and Barron, Handford and Hone, who have all played in the League, Barron has cancelled a business trip this weekend in order to play against Stafford tomorrow.

Barnet's attempt to sign Paul Harding, the Reading forward, appears to have fallen through. Enfield wanted two Barnet players, Andy Beattie and Derek Payne, in part exchange. Barnet have now turned their attention to Steve Thompson, of Slough Town, and Paul Richardson, of Kettering Town. Kettering have signed Gary Jones, a forward, from Grantham Town for an undisclosed fee. He will make his debut at Runcorn tomorrow.

Workshop Town are hoping to build a new stadium in the Sandy Lane area in time for the start of next season. Plans to move to site on an industrial estate have fallen through because of problems with the lease.

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McCall on verge of first-team return

Steve McCall, who has made only seven appearances for Sheffield Wednesday in 2½ years, is on the threshold of a comeback (see Tennis writes). McCall, who has not played at all in the past 10 months, broke his left leg during his fifth game for Wednesday and has also undergone five operations on his right knee.

McCall, aged 29, plays in a Central League game on Wednesday and if he comes through it successfully will be in a position to resume his first-team career. "I'm very optimistic and it is now up to me to prove I can still do it," he said. "I'm still pretty cautious after all that's happened but I'm giving it my best shot and now it is make or break."

When the full back joined Wednesday from Ipswich Town for £300,000, McCall, who had played for the England under-21 and B sides, appeared to be on the verge of an outstanding career.

Ron Atkinson, the Sheffield Wednesday manager, said: "There is no one at the club with more ability."

Chosen to have been forced to delay any FA Cup replay needed against Bristol City for a week. While the rest of the fourth-round games this weekend will be played next week, Cheltenham's potential replay has been put back to February 7 because the police say they cannot arrange to cover the game at short notice.

● Aston Villa and Middlesbrough have agreed to set the kick-off times of their two-legged Zenith Data Systems Cup northern area final to suit the requirements of Sky TV, who will show the games live. The first leg at Villa Park will start at 7.40pm on Tuesday January 30, provided Villa are not involved in an FA Cup replay. The Ayresome Park leg will start at 4.40pm on Wednesday.

● The Welsh chairman, Barrie Blower, has been asked by the FA to explain comments he made about George Tyson, a referee. After the third division match at Huddersfield Town on January 13, Blower told the FA to study a video of the game and examine the performance of the official.

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